



Comprehensive Annual Financial Report

City of Milwaukee, Wisconsin

for the Year Ended December 31, 2003

**W. Martin Morics
Comptroller**



Comprehensive Annual Financial Report

City of Milwaukee, Wisconsin

for the Year Ended December 31, 2003

Office of the Comptroller

**W. Martin Morics
Comptroller**

CITY OF MILWAUKEE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
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 FOR THE YEAR ENDED DECEMBER 31, 2003

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Office of the Comptroller

July 29, 2004

W. Martin Morics, C.P.A.
Comptroller

John M. Egan, C.P.A.
Deputy Comptroller

Michael J. Daun
Special Deputy Comptroller

Honorable Tom Barrett, Mayor
The Members of the Common Council
City of Milwaukee
Milwaukee, WI 53202

Dear Mayor and Council Members:

I am pleased to present the Comprehensive Annual Financial Report (CAFR) of the City of Milwaukee for the fiscal year ended December 31, 2003. This report is prepared to satisfy the City Charter requirement for the Office of the Comptroller to prepare an annual statement of revenues and expenditures and the Common Council's request for an independent examination of financial activity of the City of Milwaukee. The report was prepared by the Office of the Comptroller in conformity with accounting principles generally accepted in the United States of America (GAAP) as set forth by the Governmental Accounting Standards Board (GASB) and other authoritative accounting standard setting bodies. This report presents the financial position of the City of Milwaukee and its component units. The CAFR reflects the actual financial activity of the past year rather than proposed activity for a future year, as presented in the City's Annual Budget.

This report consists of management's representation concerning the finances of the City of Milwaukee. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Milwaukee and the component units are responsible for establishing and maintaining an internal control structure designed to ensure that the assets entrusted are protected from loss, theft or misuse, and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with GAAP. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes (1) the cost of a control should not exceed the benefits likely to be derived and (2) the valuation of costs and benefits require estimates and judgments by management. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

An independent firm of licensed certified public accountants, KPMG LLP, has audited the City of Milwaukee's financial statements. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Milwaukee for the fiscal year ended December 31, 2003, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Milwaukee's financial statements for the fiscal year ended December 31, 2003, are fairly presented in conformity with GAAP.

This is the second year the City prepared the CAFR using the new financial reporting requirements as prescribed by the GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB 34). This GASB Statement requires that management provide a narrative introduction, overview, and analysis to accompany the Basic financial Statements in the form of a Management's Discussion & Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The MD&A can be found immediately following the report of the independent auditors.

The Comprehensive Annual Financial Report is presented in three sections. The **Introductory Section** includes a list of principal officials, an organizational chart, and this letter of transmittal, which highlights significant aspects of the City and particular financial issues. The **Financial Section** includes the independent auditors' report, Management's Discussion and Analysis, the basic financial statements (government-wide statements and fund statements), notes to the financial statements, other required supplementary information (RSI), combining financial statements and other financial schedules. The **Statistical Section** includes exhibits and tables of unaudited data depicting the financial history of the City, as well as demographic and other miscellaneous statistics, generally presented on a multi-year basis.

CITY OF MILWAUKEE
LETTER OF TRANSMITTAL
FOR THE YEAR ENDED DECEMBER 31, 2003

THE REPORTING ENTITY AND ITS SERVICES

The City of Milwaukee was incorporated as a city on January 31, 1846, pursuant to the laws of the territory of Wisconsin. The city, in operation under a Home Rule Charter since 1874, provides for a council-mayor form of government. The Mayor, Comptroller, Treasurer, City Attorney and 17 Common Council members are elected officials of the City. Local elections are nonpartisan. Officials are elected to identical four-year terms. The City of Milwaukee held a general election for these positions in April 2000. The Mayor is the Chief Executive Officer and maintains a cabinet form of government controlling major City departments by appointing department heads that are subject to confirmation by the Common Council. The Mayor is responsible for the preparation of an annual city expenditure budget, subject to review by the Common Council. The Common Council is responsible for the management and control of the finances and property of the City and has the full power and authority to establish, enforce and modify all regulations for the government. The Comptroller, as the Chief Financial Officer for the City, has responsibilities for the establishment of City accounting policies and procedures, revenue estimating and monitoring, examination and investigation of all matters related to the finances of the City, issuance of debt and financial reporting. The City Treasurer is responsible for the receipt, disbursement and investment of all monies accruing to the City, including the collection of property taxes. The City Attorney is responsible for all legal matters of the corporation, including furnishing legal opinions, drafting all legal documents and defending the City in any legal actions.

The City of Milwaukee provides a full range of municipal services, including police and fire protection, sanitation, health, culture and recreation, public works, conservation and development and administrative support services. Also included in the report are the enterprise operations of the Metropolitan Sewerage District User Charge, Parking, Port, Sewer Maintenance and Water Works. These activities are under the direct oversight responsibility of the Mayor and Common Council and constitute the primary governmental functions of the City of Milwaukee. In addition, entities for which the City has financial accountability or for which the nature and significance of their relationship with the City would cause these financial statements to be misleading or incomplete are a part of the reporting entity. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the primary government and to differentiate their financial position and results of operations from those of the primary government. The following organizations are reported as discretely presented component units: Milwaukee Economic Development Corporation, City of Milwaukee Housing and Redevelopment Authorities and Neighborhood Improvement Development Corporation.

The City maintains budgetary controls, the objective of which is to ensure compliance with legal provisions of the annual budget adopted by the Common Council of the City of Milwaukee. Activities of the general, capital projects funds and certain special revenue, debt service and enterprise fund types (exclusive of the component units) are included in the City's annual budget. The component units' respective Boards approve their budgets. City departments are required to submit their annual budget requests for the ensuing year to the Mayor by the second Tuesday in May. After all requests have been reviewed, the Mayor submits his proposed Executive Budget to the Common Council. The City Charter requires that this be done on or before September 28. The Common Council must complete its review and adopt the budget on or before November 14. Once adopted, Common Council approval is required to amend the total appropriations by a department, the legal level of control for each budget. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established by function (i.e. salaries, operating expenditures, equipment) for each department for the general fund and enterprise funds. Project life rather than the standard current fiscal year is utilized for capital funds and special revenue funds. The City of Milwaukee also maintains an encumbrance accounting system as a technique of accomplishing budgetary control. Budget-to-actual comparisons are provided in the Required Supplemental Information Section of this report for the General Fund.

LOCAL ECONOMY

Milwaukee has a diversified economy with strong service and manufacturing sectors. The City is actively promoting high-tech development and has had some success attracting high-tech industries. These industries provide relatively high wage jobs. While it is important to continue this effort, these types of firms have been reluctant to invest due to the devastation of the last recession on this industry. The same issues that face the national economy are also being felt locally. Particularly in the manufacturing industry, unemployment remains high with limited business investment. Milwaukee will continue to judiciously provide appropriate subsidies to promote business development.

CITY OF MILWAUKEE
LETTER OF TRANSMITTAL
FOR THE YEAR ENDED DECEMBER 31, 2003

ECONOMIC OUTLOOK

The City of Milwaukee receives significant revenue allocations from the State. These "State Shared Revenues" include allocations for state shared taxes, local street aids, payment for municipal services and are placed in the General Fund where it is used to support a large portion of the City's day-to-day activities. For fiscal year 2003, revenues totaled \$285 million or 55% of the total general fund revenues as compared to \$283 million or 56% in 2002. In conjunction with other municipal advocates, Milwaukee made the case for preserving shared revenue, highlighting the dramatic adverse impact that eliminating the program would have on local communities. The result of this combined effort was that the state preserved full funding to the Shared Revenue Program through 2003. However, due to the State's significant budget deficit, the City is expecting major decreases in shared revenue in 2004 and future years. The anticipated amount for 2004 is expected to be \$273 million; a 4% decrease from 2003. In recent years, the City has moved towards revenue diversification as a means to address the future uncertain and most-likely decline in the funding levels for state aid. Charging user-based fees from some City services shifts payment to those directly benefiting from the service and help to reduce the dependence on the property tax. For example, garbage collection services are billed to tax exempt properties. In 2004, many fees including several permits and licenses are also being increased.

While the property tax levy for 2004 is down to \$9.73 compared to 2003's \$10.15, per \$1,000 of assessed value, the property tax levy of approximately \$199 million increased \$2 million compared to 2003's \$197 million. The actual property tax revenues reported in the General Fund was \$127 million for 2003 compared to \$114 million for 2002 (the rate for 2002 was \$10.87). The property tax revenue funding General Fund expenditures has remained relatively constant at 23% for 2003 compared to 22% for 2002.

The City of Milwaukee is one government among several in the Milwaukee area. Cooperation among all governmental entities is essential to improving service. During 2004, the City will continue to work to streamline operations across government lines and will work with Milwaukee County to explore consolidation of services such as information systems, greenhouse operations, procurement activities and both live and online auctions.

LONG-TERM FINANCIAL PLANNING

The 2004 capital budget includes \$20.6 million funding to promote economic development and job growth through the tax increment district financing. Major, ongoing projects include: 1) the redevelopment of the former Park East Freeway Corridor from I-43 to Broadway; 2) residential, retail, and riverwalk development along the Milwaukee River from the Port to North Avenue; 3) the Midtown Center development transforming the former Capitol Court Mall; and, 4) the renovation of the Shops at Grand Avenue arcade. New projects include site preparation of the recently acquired approximately 140 acre former CMD railyard parcel in the Menomonee Valley, development of the former Solvay Coke site in the Historic Third Ward, and redevelopment of the former Tower Automotive facilities on the northside of Milwaukee.

The improvement and extension of West Canal Street from North Sixth Street to the Miller Park Baseball Stadium began in 2003. Approximately \$6.8 million was allocated in 2003 as the city's match to state grant funding. In 2004, an additional \$14 million city share will be provided for major streets, bridges and sewer expansion programs. The total city cost of this multi-year project will be approximately \$19 million. This project is considered vital to the redevelopment of the Menomonee Valley. Combined with the recently completed replacement of the Sixth Street Viaduct will also serve as an alternate travel route during the planned upcoming reconstruction of the Marquette Interchange.

CASH MANAGEMENT POLICIES AND PRACTICES

The City maintains a pooled cash and investment account that is available for use by all funds, except the Debt Service Fund, the Water Works Enterprise Fund and component entities which maintain separate cash and investments. Cash temporarily idle during the year and under the control of the City Treasurer was invested in demand deposits, certificates of deposit, obligations of the U.S. Treasury and U.S. Agencies, repurchase agreements and commercial paper (all of which are permissible under State Statutes). The average interest earnings rate for City funds invested by the City Treasurer was approximately 1.225% in 2003 as compared to 1.73% in 2002. The City continued to use the State of Wisconsin Local Government Investment Pool as an option to provide flexibility for short-term investments while maintaining high standards of safety and liquidity. In 2003 the average daily investable balance was \$237.6 million as compared to \$254.4 million in 2002 or a 6.6% decrease. The investable balance generates interest earnings for the City, which are used to offset the property tax levy.

CITY OF MILWAUKEE
LETTER OF TRANSMITTAL
FOR THE YEAR ENDED DECEMBER 31, 2003

During 2003, the City continued its aggressive use of financing techniques and investment instruments to increase its investment return. The city's use of cash flow borrowing in anticipation of either State Shared Revenues or State Educational Aid Revenues totaled \$248 million in 2003, compared to \$235 million in 2002. The financing were accomplished through two separate offerings -- \$98 million in March 2003 for city purposes and \$150 million in September 2003 for school purposes. The timing of those offerings provided the City with an opportunity to earn additional interest on investments and still comply with the requirements of the Tax Reform Act of 1986. The second borrowing represented a joint effort with Milwaukee Public Schools to finance school operations on an interim basis pending the receipt of State Educational Aids.

RISK MANAGEMENT

The City is self-insured for workers' compensation, employee Basic Plan health and dental insurance, uninsured motorist motor vehicle coverage for City employees, and general liability claims. With certain exceptions, it is the policy of the City not to purchase commercial insurance against property or liability risks. Instead, the City believes it is more economical to manage its risk internally and set aside funds as needed for estimated current claim settlements and unfavorable judgments through annual appropriations and supplemental appropriations. The City does purchase and maintain limited coverage for certain facilities and employee bonding. Indemnity and insurance protection is also required from City contractors, vendors and lessees, and permit holders.

AWARDS

The City of Milwaukee was awarded a Certificate of Commendation from the Governmental Reporting Awards Through Evaluation organization (GRATE) for achieving a high level of quality in its annual financial statements through the utilization of GAAP for the fiscal year ended December 31, 2002. This was the nineteenth consecutive year that the City received this prestigious award.

We believe that our current Comprehensive Annual Financial Report continues to meet the GRATE Organization's requirements and we will submit this document to GRATE for award consideration.

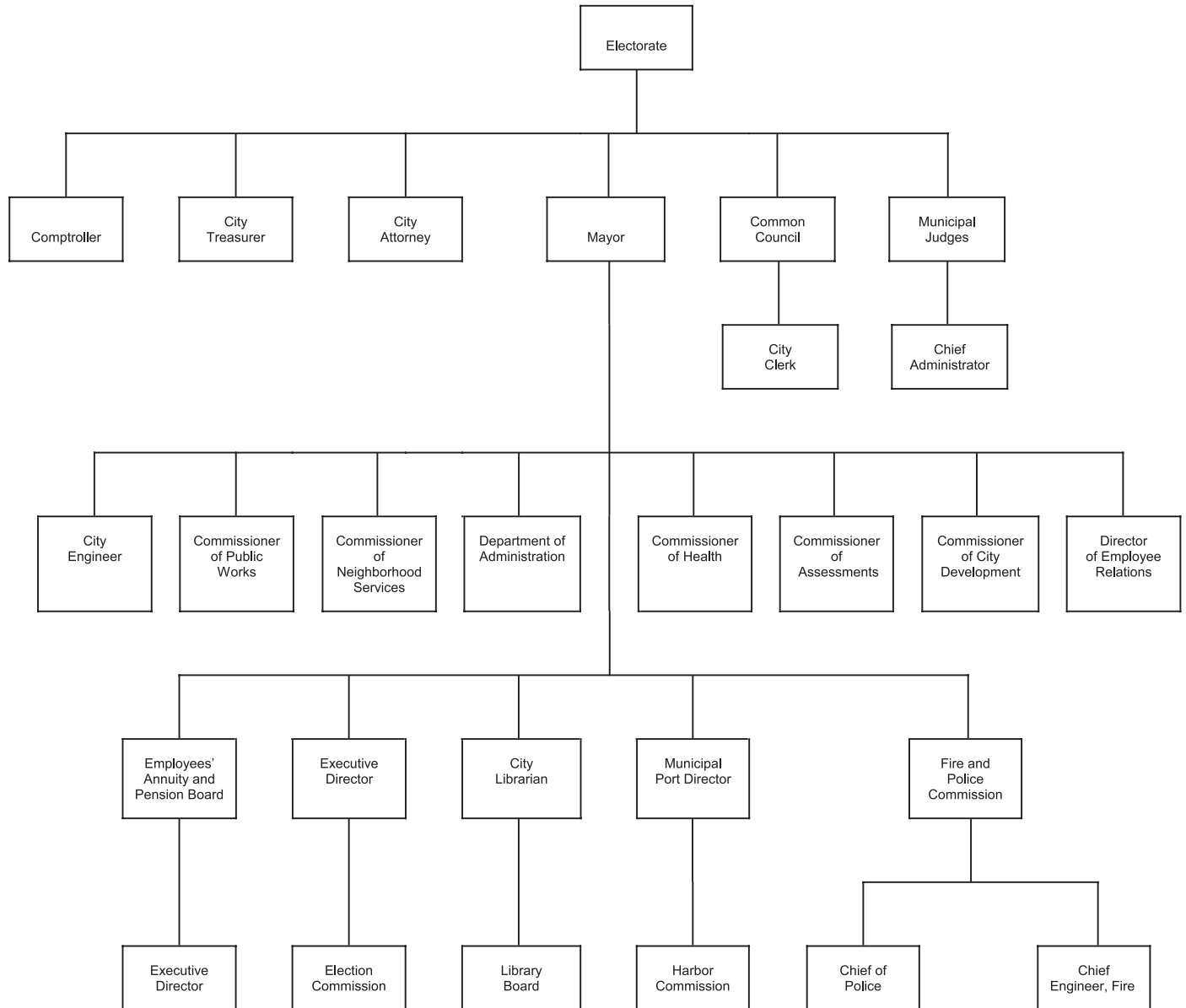
ACKNOWLEDGEMENTS

The Office of the Comptroller takes great pride in the preparation of this report. The professionalism, commitment and effort of each member of the General Accounting Division have made this presentation possible. The timely preparation of this report could not have been accomplished without the cooperation, dedication, and extensive involvement of the entire staff of the Office of the Comptroller and the able assistance of our independent auditors, KPMG LLP, as well as the accounting personnel of our component units. Special commendation and appreciation should be accorded to the dedicated staff of the Comptroller's Office in the preparation of this Comprehensive Annual Financial Report. In addition, I convey my appreciation to you and members of your respective staffs for your interest and support in planning and conducting the fiscal affairs of the City throughout the past year. The City will continue to remain fiscally sound through our cooperative efforts.

Very truly yours,


W. MARTIN MORICS
Comptroller

City of Milwaukee
ORGANIZATION CHART
DECEMBER 31, 2003



CITY OF MILWAUKEE
NAMES OF PRINCIPAL OFFICIALS
DECEMBER 31, 2003

ELECTED

Mayor	John O. Norquist
Comptroller	W. Martin Morics
City Treasurer	Wayne F. Whittow
City Attorney	Grant F. Langley
Municipal Judge	Derek C. Mosley
Municipal Judge	James A. Gramling, Jr.
Municipal Judge	David Halbrooks

COMMON COUNCIL

President	Marvin E. Pratt
-----------------	-----------------

Aldermanic District

First
Second
Third
Fourth
Fifth
Sixth
Seventh
Eighth
Ninth
Tenth
Eleventh
Twelfth
Thirteenth
Fourteenth
Fifteenth
Sixteenth
Seventeenth

Alderman

Marvin E. Pratt
Joseph L. Davis, Sr.
Michael S. D'Amato
Vacant
James A. Bohl, Jr.
Marlene E. Johnson-Odom
Fredrick G. Gordon
Robert G. Donovan
Donald F. Richards
Willie C. Wade
Joseph A. Dudzik
Angel Sanchez
Terry L. Witkowski
Suzanne M. Breier
Thomas G. Nardelli
Michael J. Murphy
Willie L. Hines, Jr.

FINANCE RELATED (Non-Elected)

Administration Director	Michael J. Soika
Budget & Management Director	Joseph J. Czarnecki
City Purchasing Director	Cheryl L. Oliva
Commissioner of Assessments	Mary P. Reavey
Chief Information Officer	Randolf A. Gschwind



GOVERNMENTAL
REPORTING
AWARDS
THROUGH
EVALUATION

The Key to Better Local Government Financial Reporting

CERTIFICATE OF COMMENDATION

GRATE
hereby awards this
Certificate of Commendation to

City of Milwaukee

for achieving a high level of quality in its
annual financial statements through the utilization of
Generally Accepted Accounting Principles (GAAP),
and accepting its responsibility for
credibility in its financial statements.

For the year ended

December 31, 2002



President, GRATE Board of Directors



Marquette University
(Technical Services)

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KPMG LLP
777 East Wisconsin Avenue
Milwaukee, Wisconsin 53202-5337

Independent Auditors' Report

To the Honorable Members
of the Common Council
of the City of Milwaukee:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Milwaukee (the City) as of and for the year ended December 31, 2003, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Controller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of December 31, 2003, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 17 to 31; and Exhibit E-1, respectively, are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated July 29, 2004 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.



KPMG LLP, a U.S. limited liability partnership, is the U.S. member firm of KPMG International, a Swiss cooperative.



Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual fund statements and schedules, miscellaneous financial data and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund statements and schedules have been subjected to the auditing procedures applied to the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section, miscellaneous financial data and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

KPMG LLP

July 29, 2004

CITY OF MILWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2003

The Management Discussion and Analysis (MD&A) is a narrative overview and analysis of the financial activities of the City of Milwaukee, Wisconsin for the fiscal year ended December 31, 2003. Please read this in conjunction with the City's basic financial statements, which follow this discussion. Additional information is available in the letter of transmittal, which precedes Management's Discussion and Analysis. This discussion focuses on the City's primary government and, unless otherwise noted, component units reported separately from the primary government are not included. Dollars are reported in thousands.

FINANCIAL HIGHLIGHTS

- The assets of the City of Milwaukee exceeded its liabilities at the close of fiscal year 2003 by \$1,029 million (net assets). \$426 million in governmental activities and \$603 million in business-type activities. Governmental activities' unrestricted assets are a deficit of \$99 million. This indicates that the City is financing long-term liabilities as they come due rather than when they are incurred.
- The city's net assets of \$1,029 million compared to the previous year of \$1,008, increased by 2%.
- Total net assets are comprised of the following:
 - (1) Capital assets, net of related debt, of \$939 include property and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of capital assets.
 - (2) Net assets of \$105 are restricted by constraints imposed from outside the City such as debt covenants, grantors, laws, or regulations.
 - (3) Unrestricted (\$15) million.
- The City's governmental funds reported total ending fund balance of \$214.2 million this year. This compares to the prior year ending fund balance of \$235.2 million showing a decrease of \$21 million during the current year; a 8.9% decrease.
- At the end of the current fiscal year, total fund balance for the General Fund was approximately \$90 million or 16.5% of total General Fund expenditures including transfers and 16.4% of total General fund revenues including transfers.
- Total liabilities of the city increased by \$65 million to \$1,311 million during the fiscal year.
- General obligation bonds and notes payable increased by \$.5 million during the current fiscal year. The key factor in this increase was the issuance of \$81.901 million in general obligation bonds and notes for the continuing funding of capital projects and the issuance of debt on behalf of the Milwaukee Public Schools. Other factors contributing to this increase were scheduled retirement of general debt. The City issued \$17.335 million in refunding bonds during the year to take advantage of favorable interest rates in the current market, retire outstanding and higher interest rate debt to lower the overall debt service payments for the future.
- The City's revenues from local tax sources, licenses and permits, charges for services and miscellaneous sources were greater than budget estimates during the fiscal year 2003 by \$7.6 million. Total revenue sources from licenses and permits, intergovernmental, charges for services, fines and forfeits, and other revenue type sources remained constant compared to the prior year. Investment earnings dropped sharply (27.8%) relative to fiscal year 2002 due to continued low interest rates. Major increases in property tax collections and payments in lieu of taxes contributed to overall increase in total General Fund revenue for 2003. In mid year 2003, these revenue factors were evaluated together with projections of anticipated cuts in state funding. Measures were taken to decrease spending. City management reduced general fund operating expenses by approximately \$2 million from budgeted levels in order to improve the City's position at the end of the fiscal year, and to provide an improved Reserved for Tax Stabilization fund balance available for the fiscal year 2004 and subsequent years' budgets.
- During the year, the City had expenses of \$577.6 million more than program revenues, general revenues and transfers of \$572.5 million resulting in a decrease of net assets of \$5 million for Governmental Activities. This does not include budgeted use of prior year surplus.
- The general fund reported a positive fund balance for the year of \$90 million compared to \$86 million in 2002; a 4.6% increase.

CITY OF MILWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2003

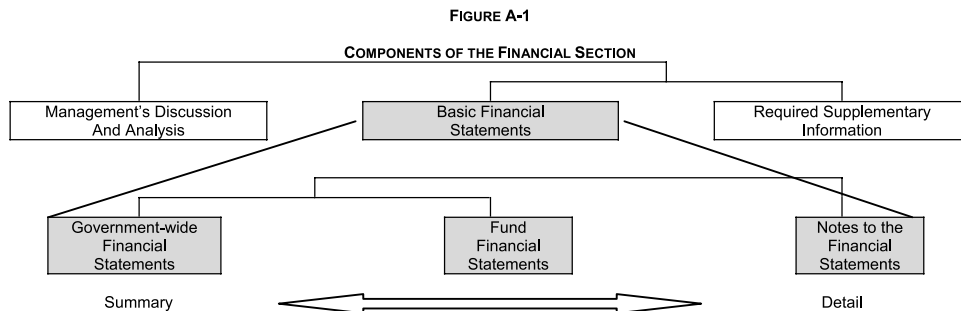
- The operating expenditures of the General Fund were \$7.1 million less than budgeted. \$2.4 million is savings from the public works departments primarily due to reduced snow plowing operations from a very mild winter. \$2.0 million came from various departments in a management directive to reduce spending.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis serves as an introduction to the City's basic financial statements. The basic financial statements consist of three components: (1) **Government-wide** financial statements, (2) **Fund** financial statements, (3) **Notes** to the financial statements. This report also includes other (4) **Required Supplementary Information**. Figure A-1 shows how the required parts of the annual report are arranged and relate to one another.

The basic financial statements include two kinds of statements that present different views of the City.

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the city's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the city government, reporting the City's operations in more detail than the government-wide statements.
 - The governmental funds statements tell how general government services like public safety were financed in the short term as well as what remains for future spending.
 - Proprietary fund statements offer short- and long-term financial information about the activities that the government operates like businesses, such as the water and the sewer maintenance systems.
 - Fiduciary fund statements provide information about the financial relationships—like various benefit plans for the City's employees—in which the city is solely a trustee or agent for the benefit of others to whom the resources belong.



A summary of the major features of the city's financial statements, including the portion of the City government they cover and the types of information they contain are depicted in table Figure A-2. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

CITY OF MILWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
 FOR THE YEAR ENDED DECEMBER 31, 2003

FIGURE A-2
MAJOR FEATURES OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

	Government-Wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire entity (except fiduciary funds)	The day-to-day operating activities of the city for basic governmental services	The day-to-day operating activities of the city for business-type enterprises	Instances in which the City administers resources on behalf of others, such as employee benefits
Required financial statements	* Statement of net assets * Statement of activities	* Balance Sheet * Statement of revenues, expenditures and changes in fund balances	* Statement of net assets * Statement of revenues, expenses, and changes in net assets * Statement of cash flows	* Statement of fiduciary net assets * Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual and current financial resources measurement focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus, except agency funds do not have measurement focus
Type of asset and liability information	All assets and liabilities, both financial and capital, short-term and long-term	Current assets and liabilities that come due during the year or soon thereafter; capital assets and long-term liabilities	All assets and liabilities, both financial and capital, short-term and long-term	All assets held in a trustee or agency capacity for others and all liabilities
Type of inflow and outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during the year or soon thereafter; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

Government-wide Financial Statements

The government-wide financial statements are designed to provide a broad overview of the City's finances, in a manner similar to a private-sector business and include both long-term and short-term information about the City's financial status. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid. All of the activities of the City, except those of a fiduciary nature, are included.

The two government-wide statements report the City's net assets and how they have changed. Net assets—the difference between the City's assets and liabilities—is one way to measure the City's financial health, or financial position.

- Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating.
- Other non-financial factors, such as changes in the property tax base and the condition of the roads are needed to assess the overall health of the City.

The government-wide financial statements of the City of Milwaukee are reported into three categories on these statements—governmental activities, business-type activities, and component units. A total column for the city is also provided.

- The *governmental activities* include the basic services of the City including general government (administration), police, fire, public works, health, culture, and development services. Taxes and general revenues generally support these activities.
- The *business-type activities* include the private sector type activities such as the water, sewer user charge, sewer maintenance, parking, and port. User charges or fees primarily support these activities.
- *Component units*—The City includes four other entities in its report. The Housing Authority and the Redevelopment Authority of the City of Milwaukee, Milwaukee Economic Development Corporation and the Neighborhood Improvement Development Corporation. Although legally separate, these component units are important because the City has financial accountability responsibility.

Fund Financial Statements

The City's major funds begin with Exhibit A-1. The fund financial statements provide detailed information about the most significant funds; not the city as a whole. The accounts of the City are organized on the basis of funds. Each fund is a separate fiscal and accounting entity with a self-balancing set of accounts including assets, liabilities, equities, revenues and

CITY OF MILWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2003

expenditures or expenses, which is segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with specific regulations, restrictions or limitations.

The City has three fund types: governmental and proprietary which use the modified accrual and the accrual methods of accounting, respectively, and fiduciary funds.

- **Governmental funds:** Most of the City's basic services are reported in governmental funds, which focus on the modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps to determine if more or fewer financial resources are available to be spent in the near future to finance the city's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is described in the reconciliation at the bottom of the fund financial statements.
- **Proprietary funds:** Operations which are financed primarily by user charges or activities where periodic measurement of net income is appropriate for capital maintenance, public policy, management control and other purposes. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. The city's enterprise funds (a component of proprietary funds) are the same as the business-type activities reported in the government-wide statements, but provide more detail and additional information, such as cash flows, for proprietary funds.
- **Fiduciary funds:** The City is the trustee, or fiduciary, for its employees deferred compensation plan and various miscellaneous private purpose trusts. All of the City's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets in Exhibits C-1, C-2 and H-1. These activities are excluded from the city's other financial statements because the City cannot use these assets to finance its operations. The city is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Notes to the Financial Statements

The notes which follow Exhibits 1 through D-2, provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information to demonstrate legal budgetary compliance for each major fund for which an annual budget is adopted. Required supplementary information is presented in Exhibit E-1.

Combining and Individual Fund Statements and Schedules and Miscellaneous Financial Data

Combining schedules provide detail in connection with nonmajor governmental funds and nonmajor enterprise funds. Individual fund statements provide greater detail, presented as compared with the final amended budget for the General Fund, and each nonmajor special revenue fund. Capital Projects are also presented in detail by major category, i.e. streets, sewers within the Miscellaneous Financial Data Section. See Exhibits F-1 through I-9.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

As year-to-year financial information is accumulated on a consistent basis, changes in net assets may be observed and used to discuss the changing financial position of the City as a whole. The net assets and net expenses of governmental and business-type activities are depicted separately below. Table 1 focuses on the net assets and Table 2 focuses on the changes in net assets.

CITY OF MILWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
 FOR THE YEAR ENDED DECEMBER 31, 2003

Table 1
Summary of Statement of Net Assets
(Thousands of Dollars)

	Governmental Activities		Business-type		Total Primary Government	
	2002	2003	2002	2003	2002	2003
Current and other assets	\$ 729,751	\$ 741,397	\$ 77,571	\$ 123,888	\$ 807,322	\$ 865,285
Capital assets	827,714	840,366	619,641	634,178	1,447,355	1,474,544
Total assets	<u>\$ 1,557,465</u>	<u>\$ 1,581,763</u>	<u>\$ 697,212</u>	<u>\$ 758,066</u>	<u>\$ 2,254,677</u>	<u>\$ 2,339,829</u>
Long-term liabilities outstanding	\$ 669,241	\$ 682,382	\$ 114,797	\$ 142,960	\$ 784,038	\$ 825,342
Other liabilities	457,339	473,619	4,693	11,855	462,032	485,474
Total liabilities	<u>\$ 1,126,580</u>	<u>\$ 1,156,001</u>	<u>\$ 119,490</u>	<u>\$ 154,815</u>	<u>\$ 1,246,070</u>	<u>\$ 1,310,816</u>
Net assets:						
Invested in Capital assets, net of related debt	\$ 392,967	\$ 420,357	\$ 506,502	\$ 518,861	\$ 899,469	\$ 939,218
Restricted	135,888	104,600	3,715	-	139,603	104,600
Unrestricted	(97,970)	(99,195)	67,505	84,390	(30,465)	(14,805)
Total net assets	<u>\$ 430,885</u>	<u>\$ 425,762</u>	<u>\$ 577,722</u>	<u>\$ 603,251</u>	<u>\$ 1,008,607</u>	<u>\$ 1,029,013</u>

Net assets of the city's governmental activities decreased 1.2% to \$425.7 million for 2003. These net assets are restricted as to use of \$104.6 or are invested in capital assets of \$420.4 (buildings, roads, bridges, etc) less any related debt used to acquire those assets that is still outstanding. The City uses these assets to provide services to citizens; consequently, these assets are not available for future spending. The unrestricted net assets deficit (\$99.2) at the end of the year does not mean that the City does not have adequate financial resources available to pay its bills next year. Instead, it is because the City's annual budgets do not include the full amounts needed to finance future liabilities arising from property and casualty claims and to pay for unused employee vacation and sick days. The City will include these amounts in future years' budgets as they come due.

The net assets of business-type activities increased 4.4% to \$603.3 million in 2003. The City generally can only use these net assets to finance the continuing operations of the specific enterprise activity it relates to.

Changes in net assets. The City's total revenues totaled \$704.8 million in the governmental activities. Of revenues, 30% comes from property and other taxes and 54% comes from intergovernmental revenues (state aids, federal and state grants). Charges for services represents only 8% with the remaining 8% coming from licenses, permits, finds and forfeits and miscellaneous other sources.

The City's expenses cover a range of services, with about 35% related to public safety (fire and police, neighborhood services). The City's general expenses exceeded its revenues for governmental activities by a 3% margin while business-type activities had 24% more revenues than expenses. Chart 1 Expenses and Program Revenues – Governmental Activities and Chart 2 Expenses and Program Revenues – Business –type Activities depict this comparison.

CITY OF MILWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
 FOR THE YEAR ENDED DECEMBER 31, 2003

Table 2 and the narrative that follows consider the operations of governmental and business-type activities separately.

Table 2
Changes in of Net Assets
(Thousands of Dollars)

	Governmental Activities		Business-type		Total Primary Government	
	2002	2003	2002	2003	2002	2003
Revenues:						
Program revenues:						
Charges for services	\$ 57,749	\$ 55,714	\$ 173,458	\$ 180,435	\$ 231,207	\$ 236,149
Operating grants and contributions	89,217	94,646	-	-	89,217	94,646
Capital grants and contributions	-	-	1,108	2,053	1,108	2,053
General revenues:						
Property taxes and other taxes	207,944	213,014	-	-	207,944	213,014
State aids for General Fund	283,068	284,565	-	-	283,068	284,565
Miscellaneous	57,999	56,815	686	482	58,685	57,297
Total revenues	<u>\$ 695,977</u>	<u>\$ 704,754</u>	<u>\$ 175,252</u>	<u>\$ 182,970</u>	<u>\$ 871,229</u>	<u>\$ 887,724</u>
Expenses						
General government	\$ 159,681	\$ 166,270	\$ -	\$ -	\$ 159,681	\$ 166,270
Public safety	229,167	257,207	-	-	229,167	257,207
Public Works	132,198	137,693	-	-	132,198	137,693
Health	22,125	24,679	-	-	22,125	24,679
Culture and recreation	22,924	19,520	-	-	22,924	19,520
Conservation and development	50,828	64,197	-	-	50,828	64,197
Capital contribution to						
Milwaukee Public Schools	18,725	8,904	-	-	18,725	8,904
Contributions	20,378	22,499	-	-	20,378	22,499
Interest on long-term debt	29,908	26,981	-	-	29,908	26,981
Water	-	-	52,821	56,554	52,821	56,554
Sewer Maintenance	-	-	24,214	26,440	24,214	26,440
Parking	-	-	21,893	21,438	21,893	21,438
Port of Milwaukee	-	-	3,177	3,275	3,177	3,275
Metropolitan Sewerage District User Charges.	-	-	30,747	31,661	30,747	31,661
Total expenses	<u>\$ 685,934</u>	<u>\$ 727,950</u>	<u>\$ 132,852</u>	<u>\$ 139,368</u>	<u>\$ 818,786</u>	<u>\$ 867,318</u>
Increase in net assets before transfers	10,043	(23,196)	42,400	43,602	52,443	20,406
Transfers	11,151	18,073	(11,151)	(18,073)	-	-
Increase in net assets	\$ 21,194	\$ (5,123)	\$ 31,249	\$ 25,529	\$ 52,443	\$ 20,406
Net assets – Beginning, as Restated	409,691	430,885	546,473	577,722	956,164	1,008,607
Net assets – Ending	<u>\$ 430,885</u>	<u>\$ 425,762</u>	<u>\$ 577,722</u>	<u>\$ 603,251</u>	<u>\$ 1,008,607</u>	<u>\$ 1,029,013</u>

Governmental Activities

Revenues for the city's governmental activities were \$704.8 million, while total expenses were \$727.9 million.

CITY OF MILWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
 FOR THE YEAR ENDED DECEMBER 31, 2003

Chart 1
2003 Expenses and Program Revenues - Governmental Activities

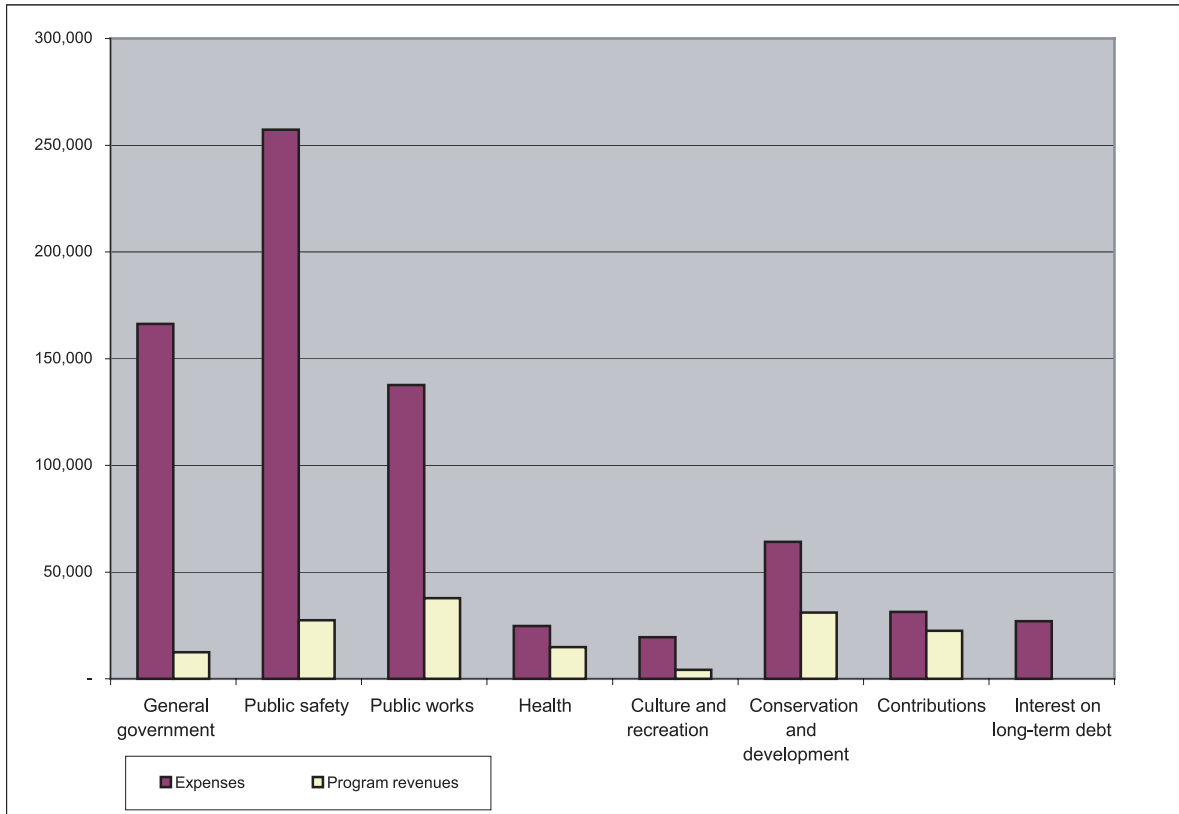


Table 3 presents the cost of each of the City's largest programs as depicted in the Chart 1 above, as well as each program's net costs (total cost less the revenues generated by the activities). General government includes most city departments, such as, Mayor, Common Council, Administration and Employee Relations, Municipal Court, City Attorney, Comptroller and Treasurer. Public safety includes Fire, Police and Neighborhood Services. The net cost shows the financial burden that was placed on the City's taxpayers by each of these functions.

CITY OF MILWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
 FOR THE YEAR ENDED DECEMBER 31, 2003

Table 3
Governmental Activities
(Thousand of Dollars)

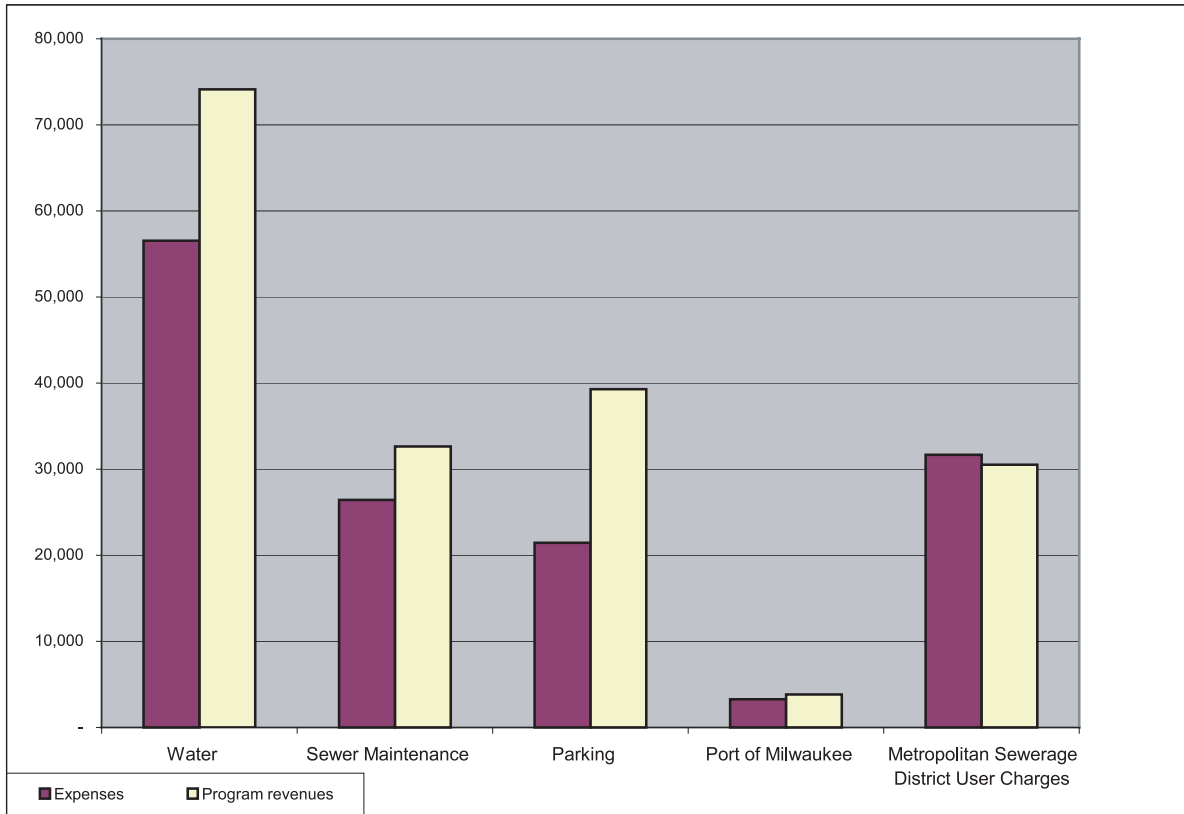
	Total Cost of Services		Net Cost of Services	
	2002	2003	2002	2003
General government	\$ 159,681	\$ 166,270	\$ 143,359	\$ 153,815
Public safety	229,167	257,207	204,833	229,741
Public works	132,198	137,693	96,626	99,862
Health	22,125	24,679	9,580	9,770
Culture and recreation	22,924	19,520	18,514	15,288
Conservation and development	50,828	64,197	18,152	33,229
Contributions	39,103	31,403	17,996	8,904
Interest on long-term debt	29,908	26,981	29,908	26,981
Total Governmental Activities	<u>\$ 685,934</u>	<u>\$ 727,950</u>	<u>\$ 538,968</u>	<u>\$ 577,590</u>

Business-type Activities

The three major enterprises or business-type activities are water, sewer maintenance and parking operations. The Water Works had operating expenses of \$54 million and operating income of \$19.8 million. The Sewer maintenance had operating expenses of \$18.5 million after generating expenses of \$14.1 million. The City parking facilities operating expenses during 2003 were \$20.4 million with a net operating revenue of \$17.2 million.

CITY OF MILWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
 FOR THE YEAR ENDED DECEMBER 31, 2003

Chart 2
2003 Expenses and Program Revenues - Business-type Activities



FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental Funds

Governmental funds are reported in the fund statements with a short-term, inflow and outflow of spendable resources focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming financing requirements. In particular, the Reserved for Tax Stabilization in the General Fund may serve as a useful measure for the City's net resources available for financing subsequent year's budget to help stabilize the tax rate. Types of Governmental funds reported by the City include the General Fund, Special Revenue Funds, Debt Service Funds and Capital Project Funds.

As the City completed the year, its governmental funds (as presented in the balance sheet on Exhibits A-1) reported a combined fund balance of \$214.2 million, a decrease of \$21 million or 9% over last year. A major contributor for this decrease is due to the decrease in the issuance of debt for capital purposes. Total debt issued for capital projects totaled \$66 million in 2003 compared to \$89 million in 2002. As a result, the capital projects associated with the Tax Incremental Districts incurred a fund deficit of \$14.7 million at year-end. The fund balance deficit of \$11.5 million for special assessment capital projects remained constant compared to \$12.4 million in 2004. This deficit is due to the financing of capital projects prior to the issuance of the special assessment bills. These bills, if over \$125 are payable over six years.

All the General Fund Reserves increased 4.6% to \$90 million from \$86 million in 2002. Of this amount, \$16.9 will finance the 2004 budget, with \$34.3 will be available for 2005 and subsequent years' budgets.

CITY OF MILWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
 FOR THE YEAR ENDED DECEMBER 31, 2003

Revenues for governmental functions overall totaled \$706.1 million in the fiscal year ended December 31, 2003, which represents an increase of approximately 2.5% from the fiscal year ended December 31, 2002. Expenditures for governmental funds totaled \$833.1 million, an increase of 6%. In the aggregate, expenditures exceeded revenues by \$127 million, or approximately 18%. Other financing sources lessen the gap, but did not close it; leaving the total net change in fund balances with a decrease of \$21 million for the year. In comparison for the year 2002, the total net change in fund balances resulted in a positive \$22.7 million increase. Other financing sources include proceeds from issuance of debt and transfers from enterprise funds.

Major Governmental Funds

The General Fund is the City's primary operating fund and the largest source of day-to-day service delivery. The fund balance of the General Fund increased by \$4 million. Key factors contributing to this increase include a 3% increase in revenues, with a 5.8% increase in expenditures. An overall increase in other financing sources of 3.1%, including \$2 million in debt proceeds for financing significant refund payments due to reassessments of paid property taxes and for transfers from enterprise funds, resulted in the modest increase in fund balance of 4.6% over the prior year.

The following table presents a summary of revenues and expenditures of the General Fund compared to prior year:

Table 4
General Fund
Summary of Revenues, Expenditures and Other Financing Sources and Uses
(Thousands of Dollars)

Revenues and Other Financing Sources				Expenditures and Other Financing Uses			
Revenues:	2002	2003	% Change	Expenditures:	2002	2003	% Change
Property taxes	\$ 114,096	\$ 126,749	11.09%	General Government.....	\$ 179,023	\$ 187,047	4.48%
Other taxes	2,944	4,318	46.67%	Public Safety.....	211,163	240,261	13.78%
Licenses and permits	10,814	10,883	0.64%	Public Works.....	88,094	86,335	-2.00%
Intergovernmental	283,068	284,565	0.53%	Health.....	10,552	10,677	1.18%
Charges for services	57,749	55,714	-3.52%	Culture and recreation	18,791	17,165	-8.65%
				Conservation and			
Fines and forfeits	5,210	6,115	17.37%	development	7,857	3,833	-51.22%
Contributions received	21,107	22,499	6.59%				
Other	8,706	7,814	-10.25%		-	-	
Total Revenues	\$ 503,694	\$ 518,657	2.97%	Total Expenditures	\$ 515,480	\$ 545,318	5.79%
Other Financing Sources				Other Financing Uses			
Debt proceeds	\$ -	\$ 2,000	100.00%	Transfers out	\$ 3	\$ 77	2466.67%
Capital lease	-	563	100.00%	Total Expenditures			
Transfers in	28,955	28,146	-2.79%	and other Financing			
Total Revenues and				Uses	\$ 515,483	\$ 545,395	5.80%
Other Financing Sources .	\$ 532,649	\$ 549,366	3.14%				
Excess of Revenues							
over Expenditures	\$ (11,786)	\$ (26,661)	126.21%				
Net Change in							
over Expenditures	\$ 17,166	\$ 3,971	-76.87%				

The General Obligation Debt Service Fund decreased its fund balance from \$40.5 million to \$35.4 million primarily due to a 12% decrease in revenues related to property taxes and other taxes. The Public Debt Amortization Fund showed a slight increase of 4.2% from \$73.5 million to \$76.6 million at year-end. While Other Revenues, consisting of interest on investments,

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MANAGEMENT'S DISCUSSION AND ANALYSIS
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declined significantly from \$7.7 million in 2002 to only \$2.9 million in 2003, a significant transfer from other funds aided in the increase in the final year end fund balance for the fund.

Capital Projects Funds are used to account for the financial resources segregated for the acquisition or construction, repair of major capital facilities other than those financed by proprietary funds. At year end 2003 shows a deficit fund balance of \$2.5 million. The key factor contributing to this deficit is due primarily to the decrease in proceeds from debt issuances. In 2003, total debt proceeds amounted to \$66 million as compared to \$88.9 million in 2002, a 25.7% decrease. While revenues increased 21% from \$21.8 million to \$26.3 million, expenditures also increased from \$93.5 million to \$107.8 million or 15.3%. Major decreases in borrowing purposes included the completion of the new police station resulting in lower needs for debt financing as well as a significant decrease in the funding for tax incremental district infrastructures.

Proprietary Funds

The proprietary fund statements share the same focus as the government-wide statements, reporting both short-term and long-term information about financial status, but in more detail.

At the end of the fiscal year, the total unrestricted net assets for all enterprise funds was \$84.4. This was an increase from \$67.5 million at December 31, 2002 or 25%. This increase consists of \$4.8 million in the Water Works, \$6 million in the Sewer Maintenance, \$6.7 million in the Parking and a decrease of \$6 million in the nonmajor enterprise funds.

Total enterprise funds revenues increased 3% from 2002 - \$172.9 million to \$178.5 million in 2003; total expenditures also increased to \$127.5 in 2003 from \$122.9 in 2002 or 3.7%.

General Fund Budgetary Highlights

Over the course of the year, the City Council adopted two resolutions which increased the appropriations of the general fund due to greater than anticipated revenues. These increased budgets permitted departments to spend additional appropriations due to the increase in revenues related to the purpose being expended. \$1.275 million was received from third party workers' compensation claims, with one large insurance settlement received during 2003, \$.3 million was reimbursed to the Election Commission from the County of Milwaukee for the additional expenses incurred for administering and funding unanticipated recall elections during the year.

The original budget includes the adopted budget plus the encumbrances carried over from 2002 less the encumbrances carried over to 2004. The Final budget includes the original budget as defined plus appropriations authorized for carry over from 2002 by Common Council less those appropriations authorized for carryover to 2004. In addition certain appropriations are budgeted in a general non-departmental account (i.e. contingency) and are only transferred from this non-departmental appropriation account to specific departments to expend after authorization by the Common Council. These appropriation adjustments are part of the final budget. As detailed in Required Supplementary Information Section, Exhibit E-1, the General Fund original budget for expenditures was \$515.2 million with the final budget at \$530 million. This is an increase over the fiscal year 2002 with original budget at \$509.9 million and final budget at \$505.2 million. The resulted increase was 1% and 4.9% for the original and final budgets, respectively.

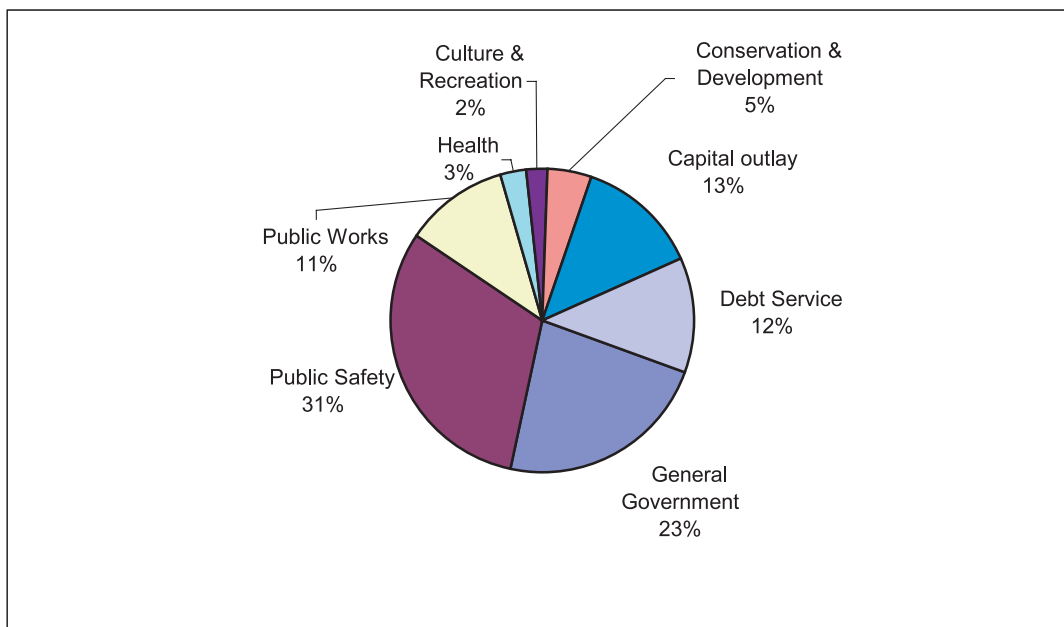
For the fiscal year ended December 31, 2003, the General Fund had a positive variance of \$7.6 million in revenues over estimated revenues and a positive variance of \$7.1 million in unexpended budget. Total revenue sources from licenses and permits, intergovernmental, charges for services, fines and forfeits, and other revenue type sources remained constant compared to the prior year. Investment earnings dropped sharply (27.8%) relative to fiscal year 2002 due to continued low interest rates. Major increases in property tax collections and payments in lieu of taxes contributed to overall increase in total General Fund revenue for 2003. In mid year 2003, these revenue factors were evaluated together with projections of anticipated cuts in state funding. Measures were taken to decrease spending. City management reduced general fund operating expenses by approximately \$2 million from budgeted levels in order to improve the City's position at the end of the fiscal year. And, as a result, it provided an improved Reserved for Tax Stabilization fund balance available for the fiscal year 2004 and subsequent years' budgets. The operating expenditures of the General Fund were \$7.1 million less than budgeted. \$2.4 million is savings from public works departments primarily due to reduced snow plowing operations from a very mild winter. \$2.0 million came from various departments in a management directive to reduce spending. \$1.1 million of fringe benefit cost offsets and minor savings from all other General Fund departments were derived in the aggregate for \$1.6 million.

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Due to wage settlements and a management decision to incur significant police overtime, the Police Department's budget was overdrawn approximately \$2 million by year end. This appropriation short-fall will be funded by short-term promissory notes to be issued in Spring of 2004. These debt proceeds are reflected as other financing sources for budgetary purposes, but, for accounting purposes are not.

The City's General Fund's beginning fund balance of \$86.0 million as reported on the General Fund Statement of Revenues, Expenditures and Changes in Fund Balance differs from the General Fund's budgetary fund balance reported in the budgetary comparison schedule by the amount of the budgeted withdrawal from the Reserve for Tax Stabilization of \$9.3 million. For budgetary purposes, this withdrawal is reflected as other financing sources, whereas for accounting purposes it is reflected as part of the fund balance.

Chart 3
2003 City Spending by Function - Governmental Funds



Proprietary Funds

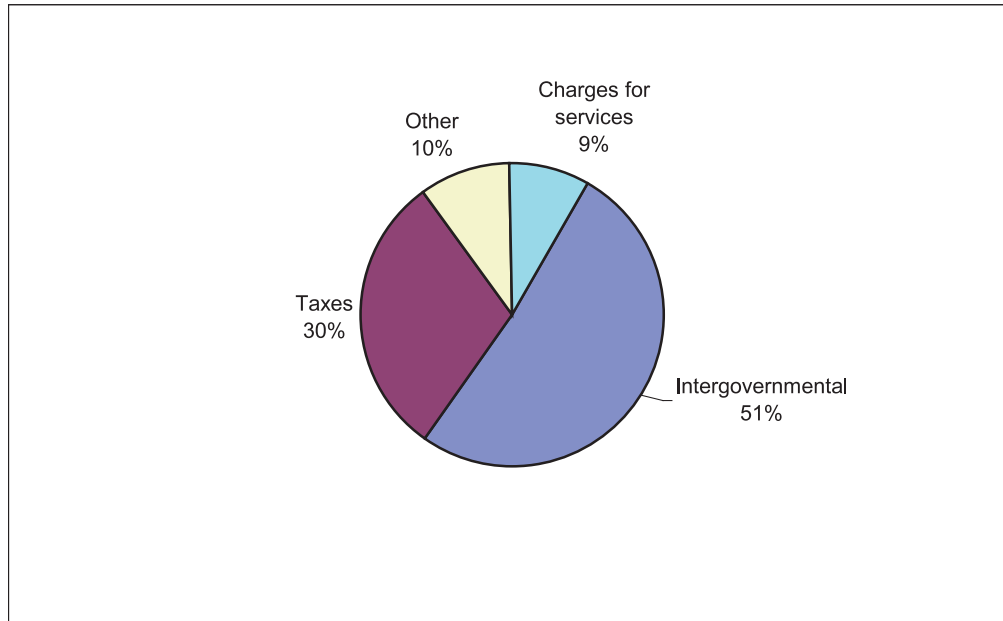
The proprietary fund financial statements are prepared on the same accounting basis and measurement focus as the government-wide financial statements, but provide additional detail since each major enterprise fund is shown discretely on the fund statements.

Unrestricted net assets for the Water Works were \$51.3 million, \$14 million for the Sewer Maintenance Fund and \$17.7 million for the Parking Fund.

The total growth in net assets for proprietary funds was \$25.5 million. Factors concerning the finances of these funds have been addressed previously in the discussion of the City's business-type activities.

CITY OF MILWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
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Chart 4
2003 Revenues by Source - Governmental Funds



CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2003, the City had \$1,475 million invested in a broad range of capital assets, including police and fire equipment, buildings, parking facilities, roads, bridges and water and sewer lines. See table 5 below.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
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Table 5
Capital Assets
 (net of depreciation)
(Thousands of Dollars)

	Governmental Activities		Business-type		Total Primary Government	
	2002	2003	2002	2003	2002	2003
Capital assets not being depreciated:						
Land	\$ 162,342	\$ 163,536	\$ 19,280	\$ 18,794	\$ 181,622	\$ 182,330
Construction in progress	65,964	69,556	29,334	37,219	95,298	106,775
Capital assets being depreciated:.....						
Buildings	117,725	123,160	81,164	81,137	198,889	204,297
Infrastructure	1,221,772	1,244,214	533,407	552,259	1,755,179	1,796,473
Improvements other than buildings	8,199	8,720	23,010	24,484	31,209	33,204
Machinery and equipment	97,384	112,704	195,411	199,476	292,795	312,180
Furniture and furnishings	-	-	53	74	53	74
Nonutility property	-	-	540	540	540	540
Accumulated depreciation	(845,672)	(881,524)	(262,558)	(279,805)	(1,108,230)	(1,161,329)
Total	\$ 827,714	\$ 840,366	\$ 619,641	\$ 634,178	\$ 1,447,355	\$ 1,474,544

Debt

At year-end, the City had \$660.1 million in general obligation bonds and notes, .5 million in capital lease payable, and \$76.5 million in revenue bonds outstanding as itemized in Table 6.

Table 6
Outstanding Debt
General Obligation and Revenue Bonds
(Thousand of Dollars)

	Governmental Activities		Business-type		Total Primary Government	
	2002	2003	2002	2003	2002	2003
General obligation bonds (backed by the City)	\$ 591,155	\$ 598,275	\$ 68,394	\$ 61,807	\$ 659,549	\$ 660,082
Capital lease payable	-	523	-	-	-	523
Revenue bonds (backed by specific fee revenues)	-	-	44,426	76,528	44,426	76,528
Total	\$ 591,155	\$ 598,798	\$ 112,820	\$ 138,335	\$ 703,975	\$ 737,133

New debt (excluding refunding bonds) issued for general obligation bonds and notes was \$81.9 million. In addition, to improve cash flow and to take advantage of lower interest rates, the city management refinanced general obligation debt by issuing \$17.335 million of refunding bonds. By refinancing the debt, the City will save \$.9 million in principal and interest over the next 12 years.

The City continues to maintain high investment grade ratings from the three major rating agencies. A rating of AA+ from Fitch Ratings, AA from Standard and Poor's Corporation, and Aa2 from Moody's Investors Service, Inc, were received on the City's August 2003 general obligation bonds issue.

CITY OF MILWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2003

The city's general obligation debt per capita, excluding enterprise fund debt, was \$931.07 at the end of 2003, a 2.3% increase from the prior year. As of December 31, 2003, the City's outstanding net general obligation debt was 2.55% of the City's equalized property value. The legal debt limit is 7% of equalized property value, including Milwaukee Public Schools debt, which also is issued by the City. Excluding the 2% limit on School debt, the City has a 5% legal debt limit and has reached about 57% of this limit. For the thirteenth year, the City issued general obligation notes to purchase a portion of General Fund delinquent taxes in the amount of \$13.8 million. Collections on these taxes and related interest will be used to meet the related debt service requirements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The 2004 adopted budget for the General Fund is \$567 million an increase of less 2% over the 2003 budget of \$557 million. The original budget includes the adopted budget plus the encumbrances carried over from 2003 less the encumbrances carried over to 2005. Property taxes levied in 2003 for 2004 city purposes decreased 42 cents per thousand dollars of assessed valuation to a rate of \$9.73. There were no increases in the major fees or parking meter rates. The tax stabilization reserve remained at 5% of general operating expenditures even with the major loss of some shared revenues from the State of \$9.7 million. The City has managed to freeze the levy with some responsible cost reductions. Through negotiations with unions incentives were created for employees to choose lower cost health plans instead of the expensive fee-for-service plans. Between 1988 and 2003, 750 positions were cut from the city's government. The 2004 budget includes cuts of an additional 351 positions. After these cuts are implemented, the city workforce will be 11% smaller than in 1988. Citizens may notice some changes in how city services are delivered.

The City's population is beginning to show a minor but continual decline since 1999. The following table depicts this change over the last five years and represents a 2% decrease from 1999 to 2003.

1999	608,150
2000	605,572
2001	595,508
2002	595,958
2003	595,245

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it received. If you have questions about this report or need additional financial information, contact the City of Milwaukee, Office of the City Comptroller, Office, City Hall, 200 East Wells Street Room 404, Milwaukee, WI 53202.

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**BASIC
FINANCIAL
STATEMENTS**

**GOVERNMENT-WIDE
FINANCIAL STATEMENTS**

CITY OF MILWAUKEE
STATEMENT OF NET ASSETS
December 31, 2003
(Thousands of Dollars)

Exhibit 1

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents	\$ 242,548	\$ 64,608	\$ 307,156	\$ 66,127
Investments	64,540	15,000	79,540	1,844
Receivables (net):				
Taxes	156,322	238	156,560	-
Accounts	18,345	26,183	44,528	2,065
Unbilled accounts	1,110	14,315	15,425	-
Special assessments	13,711	-	13,711	-
Notes and loans	47,282	-	47,282	70,493
Accrued interest	423	52	475	507
Due from component units	22,522	-	22,522	-
Due from primary government	-	-	-	1,381
Due from other governmental agencies	166,677	-	166,677	13,767
Inventory of materials and supplies	5,417	2,585	8,002	-
Inventory of property for resale	26	-	26	16,024
Prepaid items	737	10	747	2,865
Deferred charges	1,737	721	2,458	163
Other assets	<u>-</u>	<u>176</u>	<u>176</u>	<u>2</u>
Total non-capital assets	<u>\$ 741,397</u>	<u>\$ 123,888</u>	<u>\$ 865,285</u>	<u>\$ 175,238</u>
Capital assets:				
Capital assets not being depreciated:				
Land	163,536	18,794	182,330	55,991
Construction in progress	69,556	37,219	106,775	20,202
Capital assets being depreciated:				
Buildings	123,160	81,137	204,297	327,336
Infrastructure	1,244,214	552,259	1,796,473	-
Improvements other than buildings	8,720	24,484	33,204	204
Machinery and equipment	112,704	199,476	312,180	3,542
Furniture and furnishings	-	74	74	-
Nonutility property	-	540	540	-
Accumulated depreciation	<u>(881,524)</u>	<u>(279,805)</u>	<u>(1,161,329)</u>	<u>(165,299)</u>
Total Capital Assets	<u>\$ 840,366</u>	<u>\$ 634,178</u>	<u>\$ 1,474,544</u>	<u>\$ 241,976</u>
Total Assets	<u>\$ 1,581,763</u>	<u>\$ 758,066</u>	<u>\$ 2,339,829</u>	<u>\$ 417,214</u>

Exhibit 1 (Continued)

35

CITY OF MILWAUKEE
STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED DECEMBER 31, 2003
 (Thousands of Dollars)

Exhibit 2

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental Activities:				
General government	\$ 166,270	\$ 10,822	\$ 1,633	\$ -
Public safety	257,207	8,348	19,118	-
Public works	137,693	32,777	5,054	-
Health	24,679	890	14,019	-
Culture and recreation	19,520	2,366	1,866	-
Conservation and development	64,197	511	30,457	-
Capital contribution to Milwaukee Public				
Schools	8,904	-	-	-
Contributions	22,499	-	22,499	-
Interest on long-term debt	26,981	-	-	-
Total Governmental Activities	<u>\$ 727,950</u>	<u>\$ 55,714</u>	<u>\$ 94,646</u>	<u>\$ -</u>
Business-type Activities:				
Water	\$ 56,554	\$ 74,136	\$ -	\$ 2,053
Sewer Maintenance	26,440	32,657	-	-
Parking	21,438	39,279	-	-
Port of Milwaukee	3,275	3,840	-	-
Metropolitan Sewerage District				
User Charges	31,661	30,523	-	-
Total Business-type Activities	<u>\$ 139,368</u>	<u>\$ 180,435</u>	<u>\$ -</u>	<u>\$ 2,053</u>
Total Primary Government	<u>\$ 867,318</u>	<u>\$ 236,149</u>	<u>\$ 94,646</u>	<u>\$ 2,053</u>
Component units:				
Housing Authority	\$ 79,039	\$ 17,264	\$ 42,844	\$ 10,916
Redevelopment Authority	11,052	2,112	3,710	-
Milwaukee Economic Development Authority	3,871	1,820	537	-
Neighborhood Improvement Development Corporation				
Corporation	9,190	1,837	5,404	-
Total Component Units	<u>\$ 103,152</u>	<u>\$ 23,033</u>	<u>\$ 52,495</u>	<u>\$ 10,916</u>

General revenues:

Property taxes and other taxes

State aids for General Fund

Grants and contributions not restricted to specific programs

Miscellaneous

Transfers

Total General Revenues and Transfers

Change in Net Assets

Net Assets - Beginning as Restated

Net Assets - Ending

The notes to the financial statements are an integral part of this statement.

Net (Expenses) Revenue and Changes in Net Assets			
Primary Government			Component Units
Governmental Activities	Business-type Activities	Total	
\$ (153,815)		\$ (153,815)	
(229,741)		(229,741)	
(99,862)		(99,862)	
(9,770)		(9,770)	
(15,288)		(15,288)	
(33,229)		(33,229)	
(8,904)		(8,904)	
-		-	
(26,981)		(26,981)	
<u>\$ (577,590)</u>		<u>\$ (577,590)</u>	
\$ -	\$ 19,635	\$ 19,635	
-	6,217	6,217	
-	17,841	17,841	
-	565	565	
-			
-	(1,138)	(1,138)	
<u>\$ -</u>	<u>\$ 43,120</u>	<u>\$ 43,120</u>	
<u>\$ (577,590)</u>	<u>\$ 43,120</u>	<u>\$ (534,470)</u>	
			\$ (8,015)
			(5,230)
			(1,514)
			(1,949)
			<u>\$ (16,708)</u>
\$ 213,014	\$ -	\$ 213,014	\$ -
284,565	-	284,565	-
-	-	-	-
56,815	482	57,297	2,307
18,073	(18,073)	-	-
<u>\$ 572,467</u>	<u>\$ (17,591)</u>	<u>\$ 554,876</u>	<u>\$ 2,307</u>
\$ (5,123)	\$ 25,529	\$ 20,406	\$ (14,401)
430,885	577,722	1,008,607	318,453
<u>\$ 425,762</u>	<u>\$ 603,251</u>	<u>\$ 1,029,013</u>	<u>\$ 304,052</u>

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**FUND
FINANCIAL
STATEMENTS**

CITY OF MILWAUKEE
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2003
(Thousands of Dollars)

Exhibit A-1

		General
ASSETS		
Assets:		
Cash and cash equivalents		\$ 114,921
Investments		276
Receivables (net):		
Taxes		100,593
Accounts		13,469
Unbilled accounts		1,110
Special assessments		-
Notes and loans		390
Accrued interest		305
Due from other funds		21,471
Due from component units		4,423
Due from other governmental agencies		354
Advances to other funds		12,536
Inventory of materials and supplies		5,164
Inventory of property for resale		26
Prepaid items		737
Total Assets		<u>\$ 275,775</u>
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable		\$ 24,085
Accrued expenses		21,325
Due to other funds		589
Due to component units		-
Due to other governmental agencies		7
Deferred revenue		139,788
Revenue anticipation notes payable		-
Advances from other funds		-
Total Liabilities		<u>\$ 185,794</u>
Fund Balances:		
Reserved for debt service		\$ -
Reserved for delinquent taxes receivable		-
Reserved for economic development		-
Reserved for encumbrances, prepaids, and carryovers		33,000
Reserved for inventory		5,190
Reserved for mortgage trust		276
Reserved for environmental remediation		303
Reserved for tax stabilization - 2004		16,870
Reserved for tax stabilization - 2005 and subsequent years' budgets and advances to other funds		34,342
Unreserved:		
Special assessment (deficit)		-
Total Fund Balances		<u>\$ 89,981</u>
Total Liabilities and Fund Balances		<u>\$ 275,775</u>

The notes to the financial statements are an integral part of this statement.

General Obligation Debt Service	Public Debt Amortization	Capital Projects	Nonmajor Governmental Funds	Total
\$ 70,978	\$ 12,326	\$ 29,450	\$ 14,873	\$ 242,548
-	64,264	-	-	64,540
40,399	-	7,180	8,150	156,322
-	-	2,480	2,396	18,345
-	-	-	-	1,110
-	-	13,711	-	13,711
40,027	-	-	6,865	47,282
71	46	-	1	423
-	-	-	-	21,471
18,099	-	-	-	22,522
150,000	-	5,263	11,060	166,677
-	-	-	-	12,536
-	-	253	-	5,417
-	-	-	-	26
-	-	-	-	737
<u>\$ 319,574</u>	<u>\$ 76,636</u>	<u>\$ 58,337</u>	<u>\$ 43,345</u>	<u>\$ 773,667</u>
\$ -	\$ -	\$ 4,761	\$ 7,425	\$ 36,271
-	-	-	-	21,325
8,140	-	11,468	4,621	24,818
-	-	-	1,381	1,381
-	-	5,333	840	6,180
126,069	-	26,763	14,315	306,935
150,000	-	-	-	150,000
-	-	12,536	-	12,536
<u>\$ 284,209</u>	<u>\$ -</u>	<u>\$ 60,861</u>	<u>\$ 28,582</u>	<u>\$ 559,446</u>
\$ 35,365	\$ 76,636	\$ -	\$ 8,695	\$ 120,696
-	-	-	6,064	6,064
-	-	-	4	4
-	-	8,691	-	41,691
-	-	253	-	5,443
-	-	-	-	276
-	-	-	-	303
-	-	-	-	16,870
-	-	-	-	34,342
-	-	(11,468)	-	(11,468)
<u>\$ 35,365</u>	<u>\$ 76,636</u>	<u>\$ (2,524)</u>	<u>\$ 14,763</u>	<u>\$ 214,221</u>
<u>\$ 319,574</u>	<u>\$ 76,636</u>	<u>\$ 58,337</u>	<u>\$ 43,345</u>	<u>\$ 773,667</u>

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CITY OF MILWAUKEE
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET ASSETS**
 DECEMBER 31, 2003
(Thousands of Dollars)

Exhibit A-2

Fund balances - total governmental funds \$ 214,221

Amounts reported for governmental activities in the statement of net assets (Exhibit A-1) are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:

Land	\$	163,536	
Buildings, net of \$59,714 accumulated depreciation		63,446	
Infrastructure, net of \$740,193 accumulated depreciation		504,021	
Improvements Other than buildings, net of \$6,541 accumulated depreciation		2,179	
Machinery and equipment, net of \$75,076 accumulated depreciation		37,628	
Construction in progress		69,556	
			840,366

Deferred charges for debt issuance costs are not available to pay for current-period expenditures and therefore are deferred in the funds. 1,737

Some revenues are deferred in the funds because they are not available to pay current period's expenditures.

Taxes to be collected after year end	\$	6,847	
Special assessments to be collected after year end		12,623	
Notes and loans receivable to repay long-term bonds and notes		40,027	
			59,497

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities - both current and long-term - are reported in the statement of net assets. Also, during the year, the City refunded some of its existing debt with a current refunding. The payment of the refunded bonds consisted of the proceeds of the new debt \$16,562 plus a premium of \$1,265 less issuance costs of \$92 to retire \$17,647 of old debt. The premium and issuance costs will be amortized as an adjustment to interest expense over the life of the new bonds.

Accrued interest payable	\$	(7,677)	
Bonds and Notes Payable		(598,275)	
Deferred amount on refunding		9,902	
Unamortized premiums		(21,912)	
Compensated absences		(37,770)	
Claims and judgments		(33,804)	
Capitalized lease		(523)	
			(690,059)

Total net assets of governmental activities (Exhibit 1) **\$ 425,762**

The notes to the financial statements are an integral part of this reconciliation.

CITY OF MILWAUKEE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2003
(Thousands of Dollars)

Exhibit A-3

	General
Revenues:	
Property taxes	\$ 126,749
Other taxes	4,318
Special assessments	-
Licenses and permits	10,883
Intergovernmental	284,565
Charges for services	55,714
Fines and forfeits	6,115
Contributions received	22,499
Other	7,814
Total Revenues	<u>\$ 518,657</u>
Expenditures:	
Current:	
General government	\$ 187,047
Public safety	240,261
Public works	86,335
Health	10,677
Culture and recreation	17,165
Conservation and development	3,833
Capital outlay	-
Debt Service:	
Principal retirement	-
Interest	-
Bond issuance costs	-
Total Expenditures	<u>\$ 545,318</u>
Excess (deficiency) of Revenues over Expenditures	<u>\$ (26,661)</u>
Other Financing Sources (Uses):	
General obligation bonds and notes issued	\$ 2,000
Refunding bonds issued	-
Payment of refunded bonds	-
Issuance premium	-
Capital lease	563
Transfers in	28,146
Transfers out	(77)
Total Other Financing Sources and Uses	<u>\$ 30,632</u>
Net Change in Fund Balances	\$ 3,971
Fund Balances - Beginning	<u>86,010</u>
Fund Balances - Ending	<u>\$ 89,981</u>

The notes to the financial statements are an integral part of this statement.

General Obligation Debt Service	Public Debt Amortization	Capital Projects	Nonmajor Governmental Funds	Total
\$ 54,762	\$ -	\$ 11,414	\$ 4,574	\$ 197,499
10,664	1,354	-	-	16,336
-	-	4,482	-	4,482
-	-	-	-	10,883
775	-	5,143	72,295	362,778
5,764	-	-	-	61,478
-	-	-	-	6,115
-	-	-	-	22,499
2,084	2,957	5,290	5,895	24,040
<u>\$ 74,049</u>	<u>\$ 4,311</u>	<u>\$ 26,329</u>	<u>\$ 82,764</u>	<u>\$ 706,110</u>
\$ -	\$ 3	\$ -	\$ 2,739	\$ 189,789
-	-	-	19,118	259,379
-	-	-	5,071	91,406
-	-	-	14,019	24,696
-	-	-	1,866	19,031
-	-	-	34,686	38,519
-	-	107,829	-	107,829
67,111	6,585	-	-	73,696
28,250	-	-	-	28,250
542	-	-	-	542
<u>\$ 95,903</u>	<u>\$ 6,588</u>	<u>\$ 107,829</u>	<u>\$ 77,499</u>	<u>\$ 833,137</u>
<u>\$ (21,854)</u>	<u>\$ (2,277)</u>	<u>\$ (81,500)</u>	<u>\$ 5,265</u>	<u>\$ (127,027)</u>
\$ -	\$ -	\$ 66,046	\$ 13,855	\$ 81,901
16,563	-	-	-	16,563
(17,648)	-	-	-	(17,648)
6,589	-	-	-	6,589
-	-	-	-	563
16,042	6,080	50	-	50,318
(4,793)	(700)	(8,733)	(17,942)	(32,245)
<u>\$ 16,753</u>	<u>\$ 5,380</u>	<u>\$ 57,363</u>	<u>\$ (4,087)</u>	<u>\$ 106,041</u>
\$ (5,101)	\$ 3,103	\$ (24,137)	\$ 1,178	\$ (20,986)
40,466	73,533	21,613	13,585	235,207
<u>\$ 35,365</u>	<u>\$ 76,636</u>	<u>\$ (2,524)</u>	<u>\$ 14,763</u>	<u>\$ 214,221</u>

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CITY OF MILWAUKEE
**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**
FOR THE YEAR ENDED DECEMBER 31, 2003
(Thousands of Dollars)

Exhibit A-4

Net change in fund balances - total governmental funds (Exhibit A-3) \$ (20,986)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay (\$56,173) exceeded depreciation expense (\$42,386) in the current period less loss on disposals (\$1,135) 12,652

Notes and loans receivable to repay long-term bonds and notes 16,578

Revenues in the statement of activities that do not provide current financial resources are reported as deferred revenue in the funds.

Taxes accrued in prior years	\$	(821)	
Special assessments deferred revenue beginning of the year \$12,023 less deferred at end of the year \$12,623		600	
			(221)

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Debt issued:			
Bonds and notes issued	\$	(81,901)	
Refunding bonds issued		(16,563)	
Issuance premiums		(6,589)	
Capital leases issued		(563)	
Repayments:			
Payment of refunding bonds		17,648	
Principal retirement		73,696	
Bond issuance costs		758	
Capital lease current payment		40	
Amortization:			
Issuance costs		(269)	
Premiums		3,453	
Deferred amount on refunding		(1,690)	
			(11,980)

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normal paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather as it accrues. The adjustment combines the net changes of the following balances.

Compensated absences	\$	(911)	
Claims and judgments		239	
Accrued interest on bonds and notes		(494)	
			(1,166)

Changes in net assets of governmental activities (Exhibit 2) \$ (5,123)

The notes to the financial statements are an integral part of this reconciliation.

CITY OF MILWAUKEE
STATEMENT OF NET ASSETS
ENTERPRISE FUNDS
 DECEMBER 31, 2003
(Thousands of Dollars)

Exhibit B-1

	Water Works	Sewer Maintenance	Parking	Nonmajor Enterprise Funds	Total
ASSETS					
Current Assets:					
Cash and cash equivalents	\$ 11,931	\$ 5,052	\$ 19,399	\$ 1,897	\$ 38,279
Investments	15,000	-	-	-	15,000
Receivables (net):					
Taxes	-	-	-	238	238
Accounts	10,779	7,894	-	7,510	26,183
Unbilled accounts	9,882	2,485	-	1,948	14,315
Accrued interest	32	20	-	-	52
Due from other funds	7,456	852	-	712	9,020
Inventory of materials and supplies	2,585	-	-	-	2,585
Prepaid items	10	-	-	-	10
Deferred charges	-	721	-	-	721
Other assets	176	-	-	-	176
Total Current Assets	<u>\$ 57,851</u>	<u>\$ 17,024</u>	<u>\$ 19,399</u>	<u>\$ 12,305</u>	<u>\$ 106,579</u>
Noncurrent assets:					
Restricted cash and cash equivalents	\$ -	\$ 26,329	\$ -	\$ -	\$ 26,329
Capital assets:					
Capital assets not being depreciated:					
Land	1,568	-	8,946	8,280	18,794
Construction in progress	16,440	20,580	161	38	37,219
Capital assets being depreciated:					
Buildings	22,362	-	49,076	9,699	81,137
Infrastructure	266,638	285,621	-	-	552,259
Improvements other than buildings	-	-	5,657	18,827	24,484
Machinery and equipment	192,359	1,467	785	4,865	199,476
Furniture and furnishings	-	22	-	52	74
Nonutility property	540	-	-	-	540
Accumulated depreciation	<u>(147,875)</u>	<u>(88,514)</u>	<u>(21,204)</u>	<u>(22,212)</u>	<u>(279,805)</u>
Total Noncurrent Assets	<u>\$ 352,032</u>	<u>\$ 245,505</u>	<u>\$ 43,421</u>	<u>\$ 19,549</u>	<u>\$ 660,507</u>
Total Assets	<u>\$ 409,883</u>	<u>\$ 262,529</u>	<u>\$ 62,820</u>	<u>\$ 31,854</u>	<u>\$ 767,086</u>

CITY OF MILWAUKEE
STATEMENT OF NET ASSETS
ENTERPRISE FUNDS
DECEMBER 31, 2003
(Thousands of Dollars)

Exhibit B-1 (Continued)

	Water Works	Sewer Maintenance	Parking	Nonmajor Enterprise Funds	Total
LIABILITIES					
Current Liabilities:					
Accounts payable	\$ 2,306	\$ 2,491	\$ 828	\$ 6,560	\$ 12,185
Accrued expenses	1,519	493	330	118	2,460
Compensated absences	921	-	-	-	921
Due to other funds	1,732	-	-	3,941	5,673
Deferred revenue	-	-	111	446	557
General obligation debt payable - current	5,008	-	3,622	339	8,969
Revenue bonds payable - current	803	-	-	-	803
Total Current Liabilities	<u>\$ 12,289</u>	<u>\$ 2,984</u>	<u>\$ 4,891</u>	<u>\$ 11,404</u>	<u>\$ 31,568</u>
Current Liabilities Payable from Restricted Assets:					
Revenue bonds payable	\$ -	\$ 1,035	\$ -	\$ -	\$ 1,035
Accrued interest payable	-	237	-	-	237
Total Current Liabilities Payable from Restricted Assets	<u>\$ -</u>	<u>\$ 1,272</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,272</u>
Noncurrent Liabilities:					
General obligation debt	\$ 33,177	\$ -	\$ 16,101	\$ 4,054	\$ 53,332
Revenue bonds payable	13,745	63,918	-	-	77,663
Total Noncurrent Liabilities	<u>\$ 46,922</u>	<u>\$ 63,918</u>	<u>\$ 16,101</u>	<u>\$ 4,054</u>	<u>\$ 130,995</u>
Total Liabilities	<u>\$ 59,211</u>	<u>\$ 68,174</u>	<u>\$ 20,992</u>	<u>\$ 15,458</u>	<u>\$ 163,835</u>
Net Assets:					
Invested in capital assets, net of related debt	\$ 299,299	\$ 180,315	\$ 24,084	\$ 15,163	\$ 518,861
Unrestricted	51,373	14,040	17,744	1,233	84,390
Total Net Assets	<u>\$ 350,672</u>	<u>\$ 194,355</u>	<u>\$ 41,828</u>	<u>\$ 16,396</u>	<u>\$ 603,251</u>

The notes to the financial statements are an integral part of this statement.

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CITY OF MILWAUKEE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
ENTERPRISE FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2003
 (Thousands of Dollars)

Exhibit B-2

	Water Works	Sewer Maintenance	Parking	Nonmajor Enterprise Funds	Total
Operating Revenues:					
Charges for Services:					
Water sales	\$ 60,342	\$ -	\$ -	\$ -	\$ 60,342
Statutory sewer user fee	-	-	-	28,578	28,578
Sewer maintenance fee	-	32,592	-	-	32,592
Rent	-	-	6,937	3,839	10,776
Fire protection service	5,847	-	-	-	5,847
Parking meters	-	-	4,130	-	4,130
Parking permits	-	-	2,631	-	2,631
Vehicle towing	-	-	3,802	-	3,802
Parking forfeitures	-	-	20,149	-	20,149
Other	7,625	65	-	1,945	9,635
Total Operating Revenues	\$ 73,814	\$ 32,657	\$ 37,649	\$ 34,362	\$ 178,482
Operating Expenses:					
Milwaukee Metropolitan Sewerage District charges ...	\$ -	\$ -	\$ -	\$ 26,475	\$ 26,475
Employee services	-	6,413	5,735	1,396	13,544
Administrative and general	4,484	-	-	40	4,524
Depreciation	11,929	3,809	2,221	717	18,676
Transmission and distribution	19,723	-	-	3,422	23,145
Services, supplies and materials	-	8,309	12,458	936	21,703
Water treatment	9,907	-	-	-	9,907
Water pumping	5,764	-	-	-	5,764
Billing and collection	2,194	-	-	1,613	3,807
Total Operating Expenses	\$ 54,001	\$ 18,531	\$ 20,414	\$ 34,599	\$ 127,545
Operating Income (Loss)	\$ 19,813	\$ 14,126	\$ 17,235	\$ (237)	\$ 50,937
Nonoperating Revenues (Expenses):					
Investment income	\$ 347	\$ 135	\$ -	\$ -	\$ 482
Interest expense	(2,553)	(1,944)	(1,024)	(158)	(5,679)
Gain (loss) on disposal of fixed assets	-	(1,755)	479	1	(1,275)
Other	322	(4,210)	1,151	-	(2,737)
Total Nonoperating Revenues (Expenses)	\$ (1,884)	\$ (7,774)	\$ 606	\$ (157)	\$ (9,209)
Income (Loss) before Contributions and Transfers..	\$ 17,929	\$ 6,352	\$ 17,841	\$ (394)	\$ 41,728
Capital contributions	\$ 2,053	\$ -	\$ -	\$ (179)	\$ 1,874
Transfers in	-	-	-	1,249	1,249
Transfers out	(7,724)	-	(9,903)	(1,695)	(19,322)
Change in Net Assets	\$ 12,258	\$ 6,352	\$ 7,938	\$ (1,019)	\$ 25,529
Total Net Assets - Beginning	338,414	188,003	33,890	17,415	577,722
Total Net Assets - Ending	\$ 350,672	\$ 194,355	\$ 41,828	\$ 16,396	\$ 603,251

The notes to the financial statements are an integral part of this statement.

CITY OF MILWAUKEE
STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2003
(Thousands of Dollars)

Exhibit B-3

	Water Works	Sewer Maintenance	Parking	Nonmajor Enterprise Funds	Total
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts from customers and users	\$ 73,968	\$ 31,656	\$ 37,657	\$ 34,197	\$ 177,478
Cash receipts from other funds	3,656	-	-	-	3,656
Other operating cash receipts	-	65	-	-	65
Payments to suppliers	(16,070)	(7,408)	(12,404)	(31,922)	(67,804)
Payments to employees	(20,970)	(6,640)	(5,853)	(1,418)	(34,881)
Payments to other funds	(4,150)	-	-	1,016	(3,134)
Other payments	-	-	1	-	1
Net Cash Provided by Operating Activities	<u>\$ 36,434</u>	<u>\$ 17,673</u>	<u>\$ 19,401</u>	<u>\$ 1,873</u>	<u>\$ 75,381</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Transfers to other funds	\$ (7,724)	\$ -	\$ (9,903)	\$ (1,667)	\$ (19,294)
Other nonoperating expense	-	(4,086)	-	-	(4,086)
Net Cash Used for Noncapital Financing Activities	<u>\$ (7,724)</u>	<u>\$ (4,086)</u>	<u>\$ (9,903)</u>	<u>\$ (1,667)</u>	<u>\$ (23,380)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Capital contributions	\$ 2,053	\$ -	\$ -	\$ 472	\$ 2,525
Proceeds from sale of bonds and notes	-	-	1,472	1,477	2,949
Proceeds from sale of revenue bonds	-	36,306	-	-	36,306
Bond issuance costs	-	(435)	-	-	(435)
Acquisition of property, plant and equipment	(13,999)	(19,566)	(649)	(1,302)	(35,516)
Retirement of bonds, notes and revenue bonds	(5,462)	(1,000)	(4,426)	(430)	(11,318)
Interest paid	(2,363)	(1,936)	(1,001)	(156)	(5,456)
Transfers from other funds	-	-	-	700	700
Transfers to other funds	-	-	-	156	156
Repairs and restorations	-	-	-	(179)	(179)
Other	-	-	2,163	-	2,163
Net Cash Provided by (Used for) Capital and Related Financing Activities	<u>\$ (19,771)</u>	<u>\$ 13,369</u>	<u>\$ (2,441)</u>	<u>\$ 738</u>	<u>\$ (8,105)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:					
Investment income	\$ 350	\$ 122	\$ -	\$ -	\$ 472
Purchase of investments	(15,000)	-	-	-	(15,000)
Net Cash Provided by (Used for) Investing Activities	<u>\$ (14,650)</u>	<u>\$ 122</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (14,528)</u>
Net Increase (Decrease in Cash and Cash Equivalents	<u>\$ (5,711)</u>	<u>\$ 27,078</u>	<u>\$ 7,057</u>	<u>\$ 944</u>	<u>\$ 29,368</u>
Cash and Cash Equivalents - Beginning	<u>17,642</u>	<u>4,303</u>	<u>12,342</u>	<u>953</u>	<u>35,240</u>
Cash and Cash Equivalents - Ending	<u>\$ 11,931</u>	<u>\$ 31,381</u>	<u>\$ 19,399</u>	<u>\$ 1,897</u>	<u>\$ 64,608</u>

CITY OF MILWAUKEE
STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2003
(Thousands of Dollars)

Exhibit B-3 (Continued)

	Water Works	Sewer Maintenance	Parking	Nonmajor Enterprise Funds	Total
Cash and Cash Equivalents at Year End Consist of:					
Unrestricted Cash	\$ 11,931	\$ 5,052	\$ 19,399	\$ 1,897	\$ 38,279
Restricted Cash	-	26,329	-	-	26,329
	<u>\$ 11,931</u>	<u>\$ 31,381</u>	<u>\$ 19,399</u>	<u>\$ 1,897</u>	<u>\$ 64,608</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH USED BY OPERATING ACTIVITIES:					
Operating income (loss)	\$ 19,813	\$ 14,126	\$ 17,235	\$ (237)	\$ 50,937
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
Depreciation	11,929	3,809	2,221	717	18,676
Changes in assets and liabilities:					
Receivables	(334)	(575)	-	(210)	(1,119)
Due from other funds	-	(360)	-	(164)	(524)
Inventories	(322)	-	-	-	(322)
Prepaid items	(10)	-	-	-	(10)
Deferred charges	14	-	1	-	15
Other assets	122	-	-	-	122
Accounts payable	1,511	901	54	563	3,029
Accrued liabilities	(253)	(229)	(118)	(22)	(622)
Due to other funds	3,642	-	-	1,180	4,822
Deferred revenue	<u>322</u>	<u>-</u>	<u>8</u>	<u>46</u>	<u>376</u>
Net Cash Provided by Operating Activities	<u>\$ 36,434</u>	<u>\$ 17,672</u>	<u>\$ 19,401</u>	<u>\$ 1,873</u>	<u>\$ 75,380</u>

Non-cash Activities:

During the year, the city disposed of parking assets of \$484 Thousand net book value.

During the year, water mains and related property, installed by others were deeded to the Water Works in the amount of \$2.053 million.

During the year, the Sewer Maintenance Fund donated or disposed of fixed assets with a net value of \$2,075.

The notes to the financial statements are an integral part of this statement.

Exhibit C-1

The notes to the financial statements are an integral part of this statement.

CITY OF MILWAUKEE
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2003
(Thousands of Dollars)

Exhibit C-2

	Pension and Other Employee Benefit Trusts	Private- Purpose Trusts
Additions		
Contributions:		
Plan members	\$ 29,992	\$ -
Employer	288	-
Private donations	-	1,286
Total Contributions	<u>\$ 30,280</u>	<u>\$ 1,286</u>
Investment earnings:		
Net (depreciation) appreciation in fair value of investments, dividends and interest	<u>\$ 68,654</u>	<u>\$ 153</u>
Total Additions	<u>\$ 98,934</u>	<u>\$ 1,439</u>
Deductions		
Benefits	\$ 21,333	\$ -
Fees remitted from Trust	-	1,224
Other	-	1,260
Administrative expenses	159	-
Total Deductions	<u>\$ 21,492</u>	<u>\$ 2,484</u>
Change in Net Assets	\$ 77,442	\$ (1,045)
Net Assets - Beginning	<u>340,605</u>	<u>8,072</u>
Net Assets - Ending	<u>\$418,047</u>	<u>\$ 7,027</u>

The notes to the financial statements are an integral part of this statement.

CITY OF MILWAUKEE
COMBINING STATEMENT OF NET ASSETS
COMPONENT UNITS
DECEMBER 31, 2003
(Thousands of Dollars)

Exhibit D-1

	Housing Authority	Redevelopment Authority	Milwaukee Economic Development Corporation	Neighborhood Improvement Development Corporation	Total
ASSETS					
Current Assets:					
Cash and cash equivalents	\$ 21,024	\$ 26,430	\$ 15,488	\$ 3,185	\$ 66,127
Investments	558	-	986	300	1,844
Receivables (net):					
Accounts	367	1,417	73	208	2,065
Notes and loans	7,888	18,823	31,205	12,577	70,493
Accrued interest	-	166	184	157	507
Due from primary government	-	-	-	1,381	1,381
Due from other governmental agencies	10,445	-	3,322	-	13,767
Inventory of property for resale	-	13,165	1,035	1,824	16,024
Prepaid items	2,865	-	-	-	2,865
Deferred charges	9	154	-	-	163
Other assets	-	-	-	2	2
Total Noncapital Assets	<u>\$ 43,156</u>	<u>\$ 60,155</u>	<u>\$ 52,293</u>	<u>\$ 19,634</u>	<u>\$ 175,238</u>
Capital assets:					
Capital assets not being depreciated:					
Land	\$ 47,088	\$ 9,107	\$ -	\$ -	\$ 56,195
Construction in progress	20,202	-	-	-	20,202
Capital assets being depreciated:.....					
Buildings	310,726	16,610	-	-	327,336
Improvements other than buildings	-	-	-	-	-
Machinery and equipment	3,463	-	61	18	3,542
Accumulated depreciation	(165,246)	-	(45)	(8)	(165,299)
Total Capital Assets, Net of Depreciation	<u>\$ 216,233</u>	<u>\$ 25,717</u>	<u>\$ 16</u>	<u>\$ 10</u>	<u>\$ 241,976</u>
Total Assets	<u>\$ 259,389</u>	<u>\$ 85,872</u>	<u>\$ 52,309</u>	<u>\$ 19,644</u>	<u>\$ 417,214</u>

Exhibit D-1 (Continued)

The notes to the financial statements are an integral part of this statement.

CITY OF MILWAUKEE
COMBINING STATEMENT OF ACTIVITIES
COMPONENT UNITS
 FOR THE YEAR ENDED DECEMBER 31, 2003
(Thousands of Dollars)

Exhibit D-2

		Program Revenues		
		Charges for	Operating	Capital
	Expenses	Services	Grants and	Grants and
			Contributions	Contributions
Housing Authority				
Low income housing	\$ 79,039	\$ 17,264	\$ 42,844	\$ 10,916
Redevelopment Authority				
Prevention and elimination of blight	11,052	2,112	3,710	-
Milwaukee Economic Development Corporation				
Increase employment & expansion of business	3,871	1,820	537	-
Neighborhood Improvement Development Corp.				
Housing improvements	<u>9,190</u>	<u>1,837</u>	<u>5,404</u>	<u>-</u>
Total Component Units	<u>\$103,152</u>	<u>\$ 23,033</u>	<u>\$ 52,495</u>	<u>\$ 10,916</u>

General revenues:

Miscellaneous

Total General Revenues

Change in Net Assets

Net Assets - Beginning, as Restated.....

Net Assets - Ending

The notes to the financial statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Assets				
Housing Authority	Redevelopment Authority	Milwaukee Economic Development Corporation	Neighborhood Improvement Development Corporation	Total
\$ (8,015)	\$ -	\$ -	\$ -	\$ (8,015)
-	(5,230)	-	-	(5,230)
-	-	(1,514)	-	(1,514)
<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,949)</u>	<u>(1,949)</u>
<u>\$ (8,015)</u>	<u>\$ (5,230)</u>	<u>\$ (1,514)</u>	<u>\$ (1,949)</u>	<u>\$ (16,708)</u>
<u>913</u>	<u>640</u>	<u>657</u>	<u>97</u>	<u>2,307</u>
<u>\$ 913</u>	<u>\$ 640</u>	<u>\$ 657</u>	<u>\$ 97</u>	<u>\$ 2,307</u>
\$ (7,102)	\$ (4,590)	\$ (857)	\$ (1,852)	\$ (14,401)
<u>230,619</u>	<u>21,147</u>	<u>49,632</u>	<u>17,055</u>	<u>318,453</u>
<u>\$223,517</u>	<u>\$ 16,557</u>	<u>\$ 48,775</u>	<u>\$ 15,203</u>	<u>\$304,052</u>

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**NOTES
TO THE
FINANCIAL
STATEMENTS**

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). The following is a summary of the significant accounting policies.

A. Reporting Entity

The City of Milwaukee (the "City") was incorporated on January 31, 1846, and operates under a Council-Mayor form of government. These financial statements present the City (the primary government) and other organizations, including component units, for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The component units discussed below are legally separate organizations for which the elected officials of the City are accountable. The City is considered financially accountable if it appoints a voting majority of the organization's governing body and is able to impose its will on the organization, or there is a potential for the organization to provide specific financial benefits to or burdens on the City. The City may be financially accountable if an organization is fiscally dependent on the primary government.

Discretely Presented Component Units

The component units columns in the government-wide financial statements includes the financial data of the City's component units. They are reported in a separate column to emphasize that they are legally separate from the City. The City has the following discretely presented component units:

Housing Authority - This entity is used to account for the Federal and State grants relating primarily to low-income housing and rental assistance programs. The entire governing board is appointed by the Mayor of the City. The daily operations of the Housing Authority of the City of Milwaukee (HACM) are managed by City employees.

Redevelopment Authority - The Redevelopment Authority of the City of Milwaukee (RACM) is responsible for activities related to the prevention and elimination of blighted conditions in the City. The City appoints all members of the Board and approves the budget.

Milwaukee Economic Development Corporation - The Milwaukee Economic Development Corporation (MEDC) is a nonprofit organization formed to promote economic development within the City. The principal objective of the corporation is to benefit the community by fostering increased employment through expansion of business and industry within the metropolitan Milwaukee area. MEDC's primary source of funds is interest on loans originally granted through the City.

Neighborhood Improvement Development Corporation - The Neighborhood Improvement Development Corporation (NIDC) is a nonprofit organization established to promote reinvestment in both housing and commercial structures within the City. NIDC programs encourage private lending institutions and property owners to make improvements to the community's homes and businesses. Corporate officers of NIDC are provided by the City and daily operations are managed by City employees.

Financial statements of the individual component units can be obtained from their respective administrative offices. Addresses of the component units are as follows: HACM, 809 North Broadway, 3rd Floor, Milwaukee, Wisconsin 53202; RACM, 809 North Broadway, 2nd Floor, Milwaukee, Wisconsin 53202; MEDC, 809 North Broadway, 2nd Floor, Milwaukee, Wisconsin 53202; NIDC, 841 North Broadway, Room 105, Milwaukee, Wisconsin 53202.

The basic financial statements exclude the accounts of the Wisconsin Center District, Milwaukee Public Schools, the Milwaukee Metropolitan Sewerage District, World Festivals Inc. ("Summerfest") and the Employees' Retirement System of the City of Milwaukee, because these entities operate with separate governing boards and do not meet the criteria established by the Governmental Accounting Standards Board (GASB) Statement 14 as component units of the City. The Milwaukee Metropolitan Sewerage District (MMSD) is a special purpose municipal corporation created to provide sewerage treatment services in the Milwaukee metropolitan area. The City is responsible for paying usage charges within its jurisdiction. These amounts, in turn, are billed by the City to its water customers. The City has no equity interest in MMSD. Financial statements for MMSD can be obtained from its administrative office.

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

B. Basis of Presentation

Government-wide Statements. The government-wide statement of net assets and statement of activities report the overall financial activity of the City, excluding fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities of the City. These statements distinguish between the *governmental* and *business-type* activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (a) fines, fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements. The fund financial statements provide information about the City's funds, including fiduciary funds. Separate statements for each fund category—governmental, proprietary, and fiduciary are presented. The emphasis on fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The City reports the following major governmental funds:

General Fund – The General Fund is used to account for all financial resources, except those required to be accounted for in another fund.

General Obligation Debt – This fund accounts for the resources accumulated and payments made for principal and interest on the City's outstanding long-term general obligation debt.

Public Debt Amortization – This fund accounts for one-third of all interest on general City investments and interest on Fund investments for the retirement of debt. The Public Debt Amortization Fund is governed by Section 67.101 of the Wisconsin Statutes for the retirement of the public debt. See Note 7 for further discussion.

Capital Projects Fund – The Capital Projects Fund is used to account for the financial resources segregated for the acquisition or construction of major capital expenditures other than those financed by proprietary funds.

The City reports the following major enterprise funds:

Water Works - All activities necessary to provide water services to residents of the City and outlying areas. Fund activities include administration, billing and collection, operations, maintenance and financing.

Sewer Maintenance – This fund accounts for the maintenance of the City's sewer system. Wisconsin State Statutes Section 66.076, permit municipalities to implement sewer fees to recover the costs of operation, maintenance, repair, and depreciation of sewer collection and transportation facilities. Sewer maintenance costs are recovered through a user fee rather than through the property tax.

Parking – This fund accounts for revenues derived from parking meters, parking permits, rentals and leasing of parking facilities and other revenues attributable to parking. The revenues are used to defray administrative and operational costs related to parking operations, and to acquire, landscape and construct parking lots and structures.

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

Additionally, the City reports the following fiduciary fund types:

Pension and Other Employee Benefit Trusts – This fund accounts for resources for the City's deferred compensation plan, employee flexible spending and group life insurance.

Private Purpose Trust – These funds account for resources legally held in trust for use by various individuals, governmental entities, and nonpublic corporations. All resources of these funds, including any earnings on invested resources, may be used to support each trust's initiatives.

Agency – These funds account for taxes and deposits collected by the City, acting in the capacity of an agent, for distribution to other governmental units or designated beneficiaries.

C. Basis of Accounting

The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flow takes place. Non-exchange transactions, in which the City receives value without directly giving equal value in return, include property tax revenue, grants, and other contributions. On an accrual basis, revenue from property taxes is recognized in the period for which the levy is intended to finance, which is the year after the taxes are levied. Taxes levied in 2003 that will be collected in 2004 are recorded as receivable and deferred revenue. Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Revenue from grants and other contributions are recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the City must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the City on a reimbursement basis.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues, excluding property taxes, to be available if they are collected within 90 days of the end of the current year. Property taxes are considered to be available if they are collected within 60 days of the end of the current year. Expenditures generally are recorded when the liability is incurred, as under accrual accounting. However, principal and interest on general long-term debt, claims and judgments, and compensated absences are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Significant revenue sources, which are susceptible to accrual include property taxes, state shared revenues, grants, contributions, and interest. All other revenue sources including licenses, permits, fines and forfeits are considered to be measurable and available only when cash is received.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The City also has the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

D. Cash and Cash Equivalents

For purposes of the statements of cash flows, all highly liquid investments (including restricted cash and investments) purchased with a maturity of three months or less are considered to be cash equivalents. The City manages a cash and investment pool to maximize return on funds while providing liquidity to meet day to day obligations. Each fund's equity in the City's investment pool is considered to be a cash equivalent, since the funds can deposit or effectively withdraw cash at anytime without prior notice or penalty. The Housing Authority considers amounts on deposit with fiscal agents to be investments and not cash equivalents due to their restrictive nature.

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

E. Investments

Investments, primarily consisting of fixed income securities, are reported at fair value based on quoted market prices. Commercial paper, which is short-term, defined as having an original maturity of one year or less, and highly liquid is carried at amortized cost. Investment transactions are recorded on the trade date.

Wisconsin Statutes permit the City to invest funds not immediately needed in any of the following:

- Time deposits maturing within three years in any credit union, bank, savings bank, trust company or savings and loan association which are authorized to transact business in the State of Wisconsin.
- Bonds or securities issued or guaranteed by the Federal government.
- Bonds or securities of any county, city, drainage district, technical college district, village, town or school district of the State of Wisconsin, as well as bonds issued by a local exposition district, a local professional baseball park district, or the University of Wisconsin Hospitals and Clinics Authority.
- Local Government Investment Pool - Investment Fund of the State of Wisconsin.
- Repurchase agreements with public depositories, if the agreement is secured by federal bonds or securities.
- Any Security which matures or which may be tendered for purchase at the option of the holder within not more than seven years of the date on which it is acquired, if that security has a rating which is the highest or second highest rating category assigned by Standard & Poor's Corporation, Moody's Investors Service, Inc. or other similar nationally recognized rating agency or if that security is senior to, or on a parity with, a security of the same issuer which has such a rating.
- Securities of open-end management investment companies or investment trusts (mutual funds) if the portfolio is limited to (a) bonds and securities issued by the federal government or a commission, board or other instrumentality of the federal government, (b) bonds that are guaranteed as to principal and interest by the federal government or a commission, board or other instrumentality of the federal government, and (c) repurchase agreements that are fully collateralized by these bonds or securities.

F. Property Taxes

Property taxes are recorded as receivables and deferred revenues in the taxing fund in the year levied because the taxes are restricted to funding the succeeding year's budget appropriations. Property tax payments received prior to year-end are also reflected in the taxing fund. Property taxes are recognized in the appropriate funds as revenues in the succeeding year when they are collected and available to finance City services. If not collected at year-end, the delinquent property taxes are reflected as receivables and deferred revenues. Delinquent property taxes and related interest are recognized as revenues when collected.

The allowance for uncollectible property taxes is based on an analysis of the delinquent property taxes and, in management's judgment, represents an amount adequate to provide for potential uncollectible taxes. The allowance is increased by provisions charged against revenues and is reduced by taxes receivable written off.

The City, through its Special Revenue Fund - Delinquent Tax, issues general obligation short-term promissory notes to finance the purchase of the most recent delinquent taxes from its General Fund. Collections on these delinquencies are used for the associated debt service requirements.

G. Unbilled Services

Unbilled water and sewer services at year end are recognized as revenues and receivables in the accompanying financial statements.

H. Special Assessments

Special assessments consist of capital projects constructed through non-special assessment debt. In governmental fund financial statements, special assessments are recorded as receivables and deferred revenues when the related capital outlays

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
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are made and are recorded as revenues when due and payable. In the government-wide financial statements, special assessments are recorded as receivables and capital contribution revenue when the capital outlays are made. All special assessments are due when billed and may be paid on an installment basis with interest. Special assessment receivables that become delinquent are added to the general tax roll. The method of enforcing collections is the same as for general city taxes with like force and effect.

I. Notes and Loan Receivables

The General Fund, the Special Revenue Fund - Community Development Block Grant, and Neighborhood Improvement Development Corporation hold notes and loans receivable from individuals, small businesses and corporations in the Milwaukee area that are secured by primary or secondary security interests in real estate or other assets. The City periodically analyzes the collectibility of the notes and loans that are not insured and provides allowances as considered necessary.

The City creates tax incremental districts (TID) to issue debt to fund redevelopment projects. Pursuant to a cooperation agreement between the City, the Redevelopment Authority of the City of Milwaukee (Authority), and the Milwaukee Economic Development Corporation (Corporation), the City provides the Authority and the Corporation with the funds necessary to carry out the loan to a private developer to finance the redevelopment projects. Loan repayments to the Authority and the Corporation from the private developer, including interest income as well as other project income, are transferred to the City until the City's loan has been repaid or the TID expires. The City reflects these loans as notes receivable and deferred revenue in governmental fund financial statements based on an amount estimated to be repaid from the Authority and the Corporation.

J. Inventories

Inventories of materials and supplies are stated at moving average cost, based upon perpetual recordkeeping systems and periodic cycle counts of quantities on hand. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Inventories in governmental funds are reserved for in fund balance, because inventories are not expendable available financial resources.

K. Prepaid Items

Cash payments benefiting future periods have been recorded as prepaid items. They will be reflected as expenditures or expenses when incurred in the subsequent year. Prepaid items in governmental funds are reserved for in fund balance, because prepaids are not expendable available financial resources.

L. Capital Assets

Capital assets, which includes property, plant, and equipment, and infrastructure, are reported at cost or estimated historical cost. Contributed assets are reported at estimated fair value at the time received. General infrastructure assets, such as roads, bridges, curbs, gutters, streets, sidewalks and drainage and lighting systems, acquired prior to January 1, 2002 are reported at estimated historical cost using deflated replacement cost. Capital assets are depreciated using the straight-line method. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset's lives are not capitalized.

Major capital outlays for capital assets of business-type activities are included as part of the capitalized value of the assets constructed. Interest expenses incurred during construction were not capitalized as part of the additions to capital assets.

CITY OF MILWAUKEE
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 FOR THE YEAR ENDED DECEMBER 31, 2003

Capitalization thresholds and the estimated useful lives for the City and component units are as follows:

Capital Asset Category	Capitalization Threshold	Estimated Useful Life
Infrastructure	\$ 5,000	5-50 years
Land	5,000	N/A
Land Improvements	5,000	N/A
Site Improvements	5,000	3-50
Buildings	5,000	10-60
Building Improvements	5,000	10-45
Machinery and equipment	5,000	3-25
Works of Art, Historical Treasures	5,000	N/A

M. Pension Contributions

The employer's share of the annual contribution is recorded in the proprietary funds and government-wide financial statements as an expense when the liability is incurred and in the governmental funds as an expenditure when the liability is liquidated with expendable available financial resources.

N. Compensated Absences

The liability for compensated absences reported in the government-wide, proprietary and fiduciary fund financial statements consists of unpaid, accumulated vacation and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. The liability has been calculated based on the employees' current salary level and include salary related costs (e.g. social security and Medicare tax). A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

City employees accrue sick leave in accordance with labor agreements or Section 350-37 of the Code of Ordinances.

O. Claims and Judgments

The liability for claims and judgments is reported in the government-wide, proprietary and fiduciary fund financial statements when they are both probable and estimable. A liability for claims and judgments is reported in governmental funds only if they have matured (i.e. are due). The City accrues environmental remediation obligations when related liabilities are probable and reasonably estimable. These accruals generally are recognized no later than completion of a remedial feasibility study and are adjusted as further information develops or circumstances change. Costs of future expenditures for environmental remediation obligations are not discounted to their present value.

P. Bond Premiums, Discounts, and Issuance Costs

In the government-wide and proprietary fund financial statements, bond premiums and discounts, as well as issuance costs are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums on debt issuance are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

CITY OF MILWAUKEE
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Q. Advance Refundings of Debt

In the government-wide and proprietary fund financial statements, gains and losses from advance refundings of debt resulting in defeasance are deferred and amortized as a component of interest expense over the shorter of the remaining life of the old debt or the life of the new debt using the effective interest method. Bonds payable are reported net of the applicable deferred amount.

R. Fund Balances

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for specific purposes.

S. Net Assets

In the government-wide and proprietary fund financial statements, equity is displayed in three components as follows:

Invested in Capital Assets, Net of Related Debt – This consists of capital assets, net of accumulated depreciation, less the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted – This consists of net assets that are legally restricted by outside parties or by law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available for use, generally it is the City's policy to use restricted resources first, then unrestricted resources when they are needed.

Unrestricted – This consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

T. Interfund Transactions

The City has the following types of interfund transactions:

Loans - amounts provided with a requirement for repayment. Interfund loans are reported as interfund receivables (i.e. due from other funds) in lender funds and interfund payables (i.e. due to other funds) in borrower funds. The noncurrent portions of long-term interfund loans receivable are reported as advances.

Services provided and used - sales and purchases of goods and services between funds for a price approximating their external exchange value. Interfund services provided and used are reported as revenues in seller funds and expenditures or expenses in purchaser funds. Unpaid amounts are reported as interfund receivables and payables in the fund balance sheets or fund statements of net assets.

Reimbursements - repayments from the funds responsible for particular expenditures or expenses to the funds that initially paid for them. Reimbursement is reported as expenditures in the reimbursing fund and as a reduction of expenditures in the reimbursed fund.

Transfers - flows of assets (such as cash or goods) without equivalent flows of assets in return, including payments in lieu of taxes, and without a requirement for repayment. In governmental funds, transfers are reported as other financing uses in the funds making transfers and as other financing sources in the funds receiving transfers. In proprietary funds, transfers are reported after nonoperating revenues and expenses.

U. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

V. New Accounting Pronouncements

In March 2003, the Governmental Accounting Standards Board (GASB) issued Statement No. 40, *Deposit and Investment Risk Disclosures – an amendment of GASB Statement No. 3*. This statement will revise the deposit and investment risks disclosed in the notes to the financial statements. The City will implement Statement No. 40 beginning with the year ending December 31, 2005.

In April 2004, the Governmental Accounting Standards Board (GASB) issued Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This statement will establish uniform financial reporting standards for other post employment benefits. The City will implement Statement No. 43 beginning with the year ending December 31, 2006.

W. Accounting Change

During the year ended December 31, 2003, the Housing Authority of the City of Milwaukee changed the reporting entity for its component unit. Previously, the component unit represented the financial information for Carver Park, LLC which reported the equity of the limited partners as a liability. During the current year, the authority changed the reporting entity for the component unit to present the financial information of the partnership, and accordingly, restated the 2002 financial statements. The impact of this change is that the equity of the limited partners is now included as equity. This change in accounting resulted in a decrease in other liabilities and increase in net assets by \$9,675,105 as of December 31, 2002.

2. DEPOSITS AND INVESTMENTS

The City maintains a cash and investment pool that is available for use by all the funds, except for Debt Service Funds, Water Works Enterprise Fund, and component entities. Under Wisconsin Statutes, one-third of all interest on pooled cash and investments is allocated to the Public Debt Amortization Fund. The remaining two-thirds is credited to the General Fund. Each fund type's portion of pooled cash and investments is included in the cash and cash equivalents line on the Combined Balance Sheet. The Debt Service Funds, Water Works Enterprise Fund, and component units maintain separate cash and investments. In addition, investments are separately held by several other City funds. No violations of legal provisions for deposits and investments were committed during the year.

Deposits

At December 31, 2003, the reported amount of the City's deposits and cash on hand for governmental and business-type activities was \$284,853,000 and the related bank balance was \$276,511,000. Of the total bank balances, which are maintained by the City Treasurer, \$2,500,000 is entirely insured and \$153,242,000 is collateralized by securities held in the pledging banks' trust departments in the City's name. The remaining balance of \$120,769,000 is neither insured nor collateralized, nor was this amount significantly exceeded during the year.

At December 31, 2003, the reported amount of the City's deposits and cash on hand for component units was \$21,824,000 and the related bank balance was \$21,172,000. Of the components units deposits, \$2,496,000 is entirely insured and the remaining balance of \$18,676,000 is neither insured or collateralized.

Cash Equivalents and Investments

The City's primary government and component units cash equivalents and investments are categorized as either (1) insured or registered or securities held by the City or its agent in the City's name, (2) uninsured and unregistered with securities held by the counterparty's trust department or agent in the City's name or (3) uninsured or unregistered with securities held by the counterparty, or by its trust department or agent but not in the City's name.

Cash and investments with fiscal agents include \$3,544,645 placed in trust for Housing Authority debt retirement, \$11,384,740 for Redevelopment Authority debt retirement, and \$147,625 for Disadvantaged Business Enterprise programs.

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Governmental and business-type activities:	Category (1)	Category (2)	Category (3)	Reported Amount	Fair Value
	<i>(Thousands of Dollars)</i>				
<i>Categorized:</i>					
U.S. Treasury Obligations	\$ -	\$ 38,157	\$ -	\$ 38,157	\$ 38,157
U.S. Agency Securities	-	10,034	-	10,034	10,034
Capital Appreciation Bonds	-	21,527	-	21,527	21,527
Municipal Bonds and Notes	-	-	4,579	4,579	4,579
	<u>\$ -</u>	<u>\$ 69,718</u>	<u>\$ -</u>	<u>\$ 74,297</u>	<u>\$ 74,297</u>
<i>Noncategorized:</i>					
Cash and Investments with Fiscal Agents				26,605	26,605
Local Government Pooled - Investment Fund				941	941
Total Cash Equivalents and Investments				<u>\$ 101,843</u>	<u>\$ 101,843</u>
Fiduciary activities:	Category (1)	Category (2)	Category (3)	Reported Amount	Fair Value
	<i>(Thousands of Dollars)</i>				
<i>Categorized:</i>					
U.S. Treasury Obligations	<u>\$ -</u>	<u>\$ 5,058</u>	<u>\$ -</u>	\$ 5,058	\$ 5,058
<i>Noncategorized:</i>					
Cash and Investments with Fiscal Agents				148	148
Local Government Pooled - Investment Fund				246,739	246,739
Deferred Compensation Investments				417,930	417,930
Total Cash Equivalents and Investments				<u>\$ 669,875</u>	<u>\$ 669,875</u>
Component Units:	Category (1)	Category (2)	Category (3)	Reported Amount	Fair Value
	<i>(Thousands of Dollars)</i>				
<i>Categorized:</i>					
Other securities	<u>\$ 100</u>	<u>\$ -</u>	<u>\$ 104</u>	\$ 204	\$ 204
<i>Noncategorized:</i>					
Cash and Investments with Fiscal Agents				14,929	14,929
Local Government Pooled - Investment Fund				30,688	30,688
U.S. Government Money Market				153	153
Investments in partnerships				173	173
Total Cash Equivalents and Investments				<u>\$ 46,147</u>	<u>\$ 46,147</u>

The pooled investments have not been categorized based on custodial risk because they are not securities. The relationship between the City and the investment agent is a direct contractual relationship, and the investments are not supported by a transferable instrument that evidences ownership or creditorship. The Local Government Pooled – Investment Fund is an external investment pool administered by the State of Wisconsin. The fair value of the City's investment in the fund is the same as the value of the pooled shares. Although not subject to direct regulatory oversight, the fund is administered in accordance with the provisions of Section 25.50 of the Wisconsin Statutes.

3. PROPERTY TAXES

The City's property taxes are levied on or before December 31, on the assessed (taxable) value as of the prior January 1, for all general property located in the City. Taxes become a lien against the property upon filing the roll in the Office of the City Clerk. This generally takes place in December. The taxes are due January 31, but may be paid in ten monthly installments without interest from January through October. Foreclosure can be commenced after one year from date of delinquency.

The City purchases property taxes receivable from other taxing authorities at the unpaid amounts to facilitate the collection of the taxes. The purchases are a financing arrangement and are not included in property tax revenues. Also, delinquent water and sewer charges and special assessment receivables are transferred to the General Fund at the unpaid amounts.

CITY OF MILWAUKEE
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At December 31, 2003, delinquent property taxes include delinquent sewer and water charges and special assessments by year levied, tax deeded property, and allowance for uncollectible taxes. These delinquent property taxes are reported as part of taxes receivable in the General Fund and Special Revenue Fund - Delinquent Tax and consist of the following:

	City Levy	Purchased Taxes Receivable	Total
	<i>(Thousands of Dollars)</i>		
1998 and prior	\$ 1,332	\$ 2,195	\$ 3,527
1999	254	443	697
2000	443	764	1,207
2001	1,439	2,511	3,950
2002	<u>5,366</u>	<u>9,790</u>	<u>15,156</u>
Total delinquent property taxes receivable	<u>\$ 8,834</u>	<u>\$ 15,703</u>	\$ 24,537
Property taxes receivable on foreclosed property			14,159
Less: Allowance for uncollectible taxes			<u>(14,386)</u>
Net delinquent property taxes receivable, including tax deeded property			<u>\$ 24,310</u>

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

4. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2003 was as follows:

	Balance 01-01-03	Additions	Deletions	Balance 12-31-03
Governmental activities		<i>(Thousands of Dollars)</i>		
<i>Capital assets not being depreciated:</i>				
Land	\$ 162,342	\$ 1,194	\$ -	\$ 163,536
Construction in progress	<u>65,964</u>	<u>14,093</u>	<u>10,501</u>	<u>69,556</u>
Total capital assets not being depreciated	<u>228,306</u>	<u>15,287</u>	<u>10,501</u>	<u>233,092</u>
<i>Capital assets being depreciated:</i>				
Buildings	117,725	6,366	931	123,160
Infrastructure.....	1,221,772	23,626	1,184	1,244,214
Improvements other than buildings	8,199	675	154	8,720
Machinery and equipment	<u>97,384</u>	<u>20,720</u>	<u>5,400</u>	<u>112,704</u>
Total capital assets being depreciated	<u>1,445,080</u>	<u>51,387</u>	<u>7,669</u>	<u>1,488,798</u>
Less accumulated depreciation for:				
Buildings	57,171	2,543	-	59,714
Infrastructure	710,098	31,278	1,183	740,193
Improvements other than buildings	6,336	239	34	6,541
Machinery and equipment	<u>72,067</u>	<u>8,326</u>	<u>5,317</u>	<u>75,076</u>
Total accumulated depreciation	<u>845,672</u>	<u>42,386</u>	<u>6,534</u>	<u>881,524</u>
Total capital assets being depreciated, net	<u>599,408</u>	<u>9,001</u>	<u>1,135</u>	<u>607,274</u>
Government activity capital assets, net	<u>\$ 827,714</u>	<u>\$ 24,288</u>	<u>\$ 11,636</u>	<u>\$ 840,366</u>
Depreciation expense for governmental activities was charged to functions as follows:				
General government				\$ 181
Public safety				4,550
Public works				37,287
Health				48
Culture and recreation				317
Conservation and development				<u>3</u>
Total				<u>\$ 42,386</u>

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
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Business-type activities	Balance 01-01-03	Additions	Deletions	Balance 12-31-03
		<i>(Thousands of Dollars)</i>		
Waterworks				
<i>Capital assets not being depreciated:</i>				
Land	\$ 1,585	\$ -	\$ 17	\$ 1,568
Construction in progress	12,210	14,117	9,887	16,440
Total capital assets not being depreciated	<u>13,795</u>	<u>14,117</u>	<u>9,904</u>	<u>18,008</u>
<i>Capital assets being depreciated:</i>				
Buildings	22,430	-	68	22,362
Infrastructure	261,643	5,542	547	266,638
Machinery and equipment	188,696	4,345	682	192,359
Nonutility property	540	-	-	540
Total capital assets being depreciated	<u>473,309</u>	<u>9,887</u>	<u>1,297</u>	<u>481,899</u>
Less accumulated depreciation for:				
Buildings	12,250	703	68	12,885
Infrastructure	64,193	3,121	541	66,773
Machinery and equipment	60,577	8,418	903	68,092
Nonutility property	123	2	-	125
Total accumulated depreciation	<u>137,143</u>	<u>12,244</u>	<u>1,512</u>	<u>147,875</u>
Total capital assets being depreciated, net	<u>336,166</u>	<u>(2,357)</u>	<u>(215)</u>	<u>334,024</u>
Waterworks capital assets, net	<u>\$ 349,961</u>	<u>\$ 11,760</u>	<u>\$ 9,689</u>	<u>\$ 352,032</u>
Sewer Maintenance				
<i>Capital assets not being depreciated:</i>				
Construction in progress	\$ 17,124	\$ 16,219	\$ 12,763	\$ 20,580
Total capital assets not being depreciated	<u>17,124</u>	<u>16,219</u>	<u>12,763</u>	<u>20,580</u>
<i>Capital assets being depreciated:</i>				
Infrastructure	271,764	14,107	250	285,621
Machinery and equipment	1,288	179	-	1,467
Furniture and furnishings	22	-	-	22
Total capital assets being depreciated	<u>273,074</u>	<u>14,286</u>	<u>250</u>	<u>287,110</u>
Less accumulated depreciation for:				
Infrastructure	84,420	3,644	195	87,869
Machinery and equipment	472	162	-	634
Furniture and furnishings	8	3	-	11
Total accumulated depreciation	<u>84,900</u>	<u>3,809</u>	<u>195</u>	<u>88,514</u>
Total capital assets being depreciated, net	<u>188,174</u>	<u>10,477</u>	<u>55</u>	<u>198,596</u>
Sewer maintenance capital assets, net	<u>\$ 205,298</u>	<u>\$ 26,696</u>	<u>\$ 12,818</u>	<u>\$ 219,176</u>

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	Balance 01-01-03	Additions	Deletions	Balance 12-31-03
		<i>(Thousands of Dollars)</i>		
Parking				
<i>Capital assets not being depreciated:</i>				
Land	\$ 9,415	\$ -	\$ 469	\$ 8,946
Construction in progress	<u>-</u>	<u>161</u>	<u>-</u>	<u>161</u>
Total capital assets not being depreciated	<u>9,415</u>	<u>161</u>	<u>469</u>	<u>9,107</u>
<i>Capital assets being depreciated:</i>				
Buildings	49,035	41	-	49,076
Improvements other than buildings	5,439	225	7	5,657
Machinery and equipment	<u>592</u>	<u>222</u>	<u>29</u>	<u>785</u>
Total capital assets being depreciated	<u>55,066</u>	<u>488</u>	<u>36</u>	<u>55,518</u>
Less accumulated depreciation for:				
Buildings	16,555	1,889	-	18,444
Improvements other than buildings	2,310	236	7	2,539
Machinery and equipment	<u>137</u>	<u>96</u>	<u>12</u>	<u>221</u>
Total accumulated depreciation	<u>19,002</u>	<u>2,221</u>	<u>19</u>	<u>21,204</u>
Total capital assets being depreciated, net	<u>36,064</u>	<u>(1,733)</u>	<u>17</u>	<u>34,314</u>
Parking capital assets, net	<u>\$ 45,479</u>	<u>\$ (1,572)</u>	<u>\$ 486</u>	<u>\$ 43,421</u>
Other business-type activities:				
<i>Capital assets not being depreciated:</i>				
Land	\$ 8,280	\$ -	\$ -	\$ 8,280
Construction in progress	<u>-</u>	<u>38</u>	<u>-</u>	<u>38</u>
Total capital assets not being depreciated	<u>8,280</u>	<u>38</u>	<u>-</u>	<u>8,318</u>
<i>Capital assets being depreciated:</i>				
Buildings	9,699	-	-	9,699
Improvements other than buildings	17,571	1,256	-	18,827
Machinery and equipment	4,835	47	17	4,865
Furniture and Furnishings	<u>31</u>	<u>21</u>	<u>-</u>	<u>52</u>
Total capital assets being depreciated	<u>32,136</u>	<u>1,324</u>	<u>17</u>	<u>33,443</u>
Less accumulated depreciation for:				
Buildings	6,078	147	-	6,225
Improvements other than buildings	12,188	382	-	12,570
Machinery and equipment	3,217	185	18	3,384
Furniture and furnishings	<u>30</u>	<u>3</u>	<u>-</u>	<u>33</u>
Total accumulated depreciation	<u>21,513</u>	<u>717</u>	<u>18</u>	<u>22,212</u>
Total capital assets being depreciated, net	<u>10,623</u>	<u>607</u>	<u>(1)</u>	<u>11,231</u>
Other business-type activities, net	<u>\$ 18,903</u>	<u>\$ 645</u>	<u>\$ (1)</u>	<u>\$ 19,549</u>
Business-type activity capital assets, net	<u><u>\$ 619,641</u></u>	<u><u>\$ 37,529</u></u>	<u><u>\$ 22,992</u></u>	<u><u>\$ 634,178</u></u>

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	Balance 01-01-03	Additions	Deletions	Balance 12-31-03
		<i>(Thousands of Dollars)</i>		
Component Units				
<i>Capital assets not being depreciated:</i>				
Land	\$ 48,707	\$ 7,437	\$ 153	\$ 55,991
Construction in Progress	<u>58,704</u>	<u>18,919</u>	<u>57,421</u>	<u>20,202</u>
Total capital assets not being depreciated	<u>107,411</u>	<u>26,356</u>	<u>57,574</u>	<u>76,193</u>
<i>Capital assets being depreciated:</i>				
Buildings	282,859	51,410	6,933	327,336
Improvements other than buildings	204	-	-	204
Machinery and equipment	<u>3,503</u>	<u>136</u>	<u>97</u>	<u>3,542</u>
Total capital assets being depreciated	<u>286,566</u>	<u>51,546</u>	<u>7,030</u>	<u>331,082</u>
Less accumulated depreciation for:				
Buildings	149,069	16,094	3,112	162,051
Improvements other than buildings	30	17	-	47
Machinery and equipment	<u>2,931</u>	<u>329</u>	<u>59</u>	<u>3,201</u>
Total accumulated depreciation	<u>152,030</u>	<u>16,440</u>	<u>3,171</u>	<u>165,299</u>
Total capital assets being depreciated, net .	<u>134,536</u>	<u>35,106</u>	<u>3,859</u>	<u>165,783</u>
Component units capital assets, net	<u>\$ 241,947</u>	<u>\$ 61,462</u>	<u>\$ 61,433</u>	<u>\$ 241,976</u>

5. DEFERRED REVENUE

Deferred revenue is recorded in the governmental funds for amounts not yet available and for resources received prior to being earned by the City. Related revenue is recognized when these amounts become available or when earned. The composition of the deferred revenue balances in the governmental funds is as follows:

	General	General Obligation Debt Service	Capital Projects	Nonmajor Governmental Funds	Total
		<i>(Thousands of Dollars)</i>			
Current property taxes	\$ 133,542	\$ 67,943	\$ 12,076	\$ -	\$ 213,561
Delinquent property taxes	4,761	-	-	2,086	6,847
Unearned revenue	1,485	-	5,153	5,364	12,002
Long-term receivables	-	58,126	-	6,865	64,991
Unbilled special assessments	<u>-</u>	<u>-</u>	<u>9,534</u>	<u>-</u>	<u>9,534</u>
Total	<u>\$ 139,788</u>	<u>\$ 126,069</u>	<u>\$ 26,763</u>	<u>\$ 14,315</u>	<u>\$ 306,935</u>

6. SHORT-TERM DEBT

During 2003, the City issued \$98,000,000 of Revenue Anticipation Notes (RANs). The RANs were issued for the purpose of financing the City's operating budget on an interim basis pending receipt of State of Wisconsin shared revenue payments due in November 2003.

CITY OF MILWAUKEE
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As of December 31, 2002, the City had outstanding \$133,000,000 of short-term RANs on behalf of Milwaukee Public Schools. In 2003, the City repaid the outstanding balance and issued \$150,000,000 short-term RANs for the same purpose. The new notes bear interest at the rate of 6% & 2% and will mature on June 30, 2004. The liability and related receivable to repay the revenue anticipation notes are recorded in the Debt Service Fund.

7. LONG-TERM OBLIGATIONS

A. Changes in Long-Term Obligations

Changes in long-term obligations for the year ended December 31, 2003 were as follows:

	Balance 01-01-03	New Issues	Repayments	Balance 12-31-03	Amounts Due within One Year
<i>(Thousands of Dollars)</i>					
Governmental activities:					
General obligation bonds and notes					
City	\$ 483,703	\$ 72,982	\$ 78,751	\$ 477,934	\$ 57,821
Milwaukee Public Schools	107,452	25,482	12,593	120,341	10,796
Deferred amount on refundings	(11,592)	-	(1,690)	(9,902)	-
Unamortized premiums	18,776	6,589	3,453	21,912	-
Capital lease payable	-	563	40	523	174
Compensated absences	36,859	2,198	1,287	37,770	3,167
Claims and judgments	34,043	19,996	20,235	33,804	7,632
Total governmental activities	<u>\$ 669,241</u>	<u>\$ 127,810</u>	<u>\$ 114,669</u>	<u>\$ 682,382</u>	<u>\$ 79,590</u>
Business-type activities					
Water Works					
General obligation bonds and notes	\$ 42,489	\$ -	\$ 4,680	\$ 37,809	\$ 5,008
Deferred amount on refundings	(1,717)	-	(326)	(1,391)	-
Unamortized premiums	1,995	-	228	1,767	-
Revenue bonds	15,331	-	783	14,548	803
Compensated absences	943	10	32	921	921
Total Water Works	<u>\$ 59,041</u>	<u>\$ 10</u>	<u>\$ 5,397</u>	<u>\$ 53,654</u>	<u>\$ 6,732</u>
Sewer Maintenance					
Revenue bonds	\$ 29,095	\$ 33,885	\$ 1,000	\$ 61,980	\$ 1,035
Unamortized premiums	715	2,421	163	2,973	-
Total sewer maintenance	<u>\$ 29,810</u>	<u>\$ 36,306</u>	<u>\$ 1,163</u>	<u>\$ 64,953</u>	<u>\$ 1,035</u>
Parking					
General obligation bonds and notes	\$ 22,589	\$ 1,472	\$ 4,426	\$ 19,635	\$ 3,622
Deferred amount on refundings	(464)	(8)	(84)	(388)	-
Unamortized premiums	482	54	60	476	-
Total parking	<u>\$ 22,607</u>	<u>\$ 1,518</u>	<u>\$ 4,402</u>	<u>\$ 19,723</u>	<u>\$ 3,622</u>
Other Enterprise Funds					
General obligation bonds and notes	\$ 3,316	\$ 1,477	\$ 430	\$ 4,363	\$ 339
Deferred amount on refundings	(94)	(1)	(16)	(79)	-
Unamortized premiums	117	5	13	109	-
Total Other Enterprise	<u>\$ 3,339</u>	<u>\$ 1,481</u>	<u>\$ 427</u>	<u>\$ 4,393</u>	<u>\$ 339</u>
Total business-type activities	<u>\$ 114,797</u>	<u>\$ 39,315</u>	<u>\$ 11,389</u>	<u>\$ 142,723</u>	<u>\$ 11,728</u>

CITY OF MILWAUKEE
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Compensated absences have been liquidated by the applicable governmental funds that account for the salaries and wages of the related employees. Claims and judgments typically have been liquidated from the special purpose damages and claims account in the general fund.

	Balance 01-01-03	New Issues	Repayments	Balance 12-31-03	Amounts Due within One Year
		<i>(Thousands of Dollars)</i>			
Component Units					
Revenue bonds	\$ 44,590	\$ -	\$ 2,273	\$ 42,317	\$ 925
Deferred amount on refundings	-	-	-	-	-
Unamortized premiums	-	-	-	-	-
Unamortized discounts	(140)	-	(4)	(136)	-
Notes payable	8,913	-	37	8,876	39
Advance from other organizations	1,500	-	400	1,100	400
Total component units	<u>\$ 54,863</u>	<u>\$ -</u>	<u>\$ 2,706</u>	<u>\$ 52,157</u>	<u>\$ 1,364</u>

Certain prior year balances for the component units have been adjusted to correspond with the proper classification reflected in the Combined Balance Sheet.

B. General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities for the City and for Milwaukee Public Schools. General obligation bonds have been issued for both governmental and business-type activities. General obligation bonds are secured by the full faith and unlimited taxing power of the City. The debt for governmental activities will be retired by future property tax levies and other resources accumulated in the Debt Service Funds. The debt for business-type activities (i.e. Water Works, Parking, and Port of Milwaukee Enterprise Funds) will be retired by revenues from those operations or, if the revenues are not sufficient, by future tax levies. During the year ended December 31, 2003, general obligation bonds totaling \$83,468,000 was issued to refund general obligation bonds and to finance capital improvements.

Use of Public Debt Amortization Fund for retirement of the public debt is governed by the Wisconsin Statutes. The Statutes provide that when total principal and accrued interest in the Public Debt Amortization Fund is substantially equal to the outstanding general obligation bonds and notes, the resources in the fund shall be applied to make annual interest and principal payments on that debt to maturity. The Statutes provide, in part, that "The Public Debt Commission may, however, at any time, apply the fund, not to exceed in any one year 40 percent of the balance in said fund on the preceding December 31, to acquire for cancellation general obligation bonds or notes prior to their maturity dates at prices not to exceed principal plus accrued interest to date of maturity, but the fund shall not be decreased below \$2,000,000 as a result of such purchases and cancellations." Principal sources of revenue are one-third of all interest on general City investments and interest on Fund investments. As authorized by the Statutes, the Public Debt Amortization Fund may purchase for investment or for cancellation, notes issued by the General Fund to fund operations.

Through 2003, \$78,653,528 has been borrowed and outstanding for thirty-eight tax incremental districts (TID). Total debt service requirements associated with these debt issues amounts to \$108,692,155. Tax increments received through 2003 total \$88,424,432. In any year in which TID debt service requirements for the ensuing year are greater than total tax increments received, the shortfall is funded by the property tax levy.

Under the Wisconsin Statutes, the City is required, if requested by the Board of Milwaukee Public Schools, and if approved by referendum, to issue general obligation bonds to finance purchases of school sites and to construct or remodel school buildings. No such bonds are currently outstanding. The \$120,341,000 of Milwaukee Public School long-term debt outstanding at December 31, 2003 consists of a portion of the City's general obligation bonds and notes which has been designated for school purposes. Under the Wisconsin Statutes, the City has title to the land and buildings of the Milwaukee Public Schools. However, the City does not control the use of the assets or receive the proceeds upon disposition of the assets. At June 30, 2003, the historical costs of the land and buildings as reported by Milwaukee Public Schools was approximately \$635,097,584. These assets are excluded from the financial statements of the City.

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

C. Revenue Bonds

The City issues revenue bonds to provide funds for water and sewer improvements. As such, they are not backed by the general credit or taxing powers of the City. During the year ended December 31, 2003, the City issued \$33,885,000 of sewerage revenue bonds for financing the costs of improvements to the City's sewerage system. These bonds mature June 1 of each year beginning 2005 until 2033. Interest is payable on June 1 and December 1. .

The component units issue revenue bonds to provide funds for capital construction and mortgage-backed securities. As such, they are not backed by the general credit or taxing powers of the City.

D. Notes Payable

The City issues installment notes to provide funds for various public improvement projects, cashflow for the school district and purchases of delinquent taxes. During the year ended December 31, 2003, installment loans totaling \$17,945,000 were issued to provide the school district cashflow, finance building projects and purchase 2002's delinquent taxes.

E. Capital Leases Payable

The City has entered into a lease agreement as lessee for financing the acquisition of automated defibrillators/EKG monitors. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments in the appropriate capital asset accounts in the amount of \$563,000 as of December 31, 2003.

The future minimum lease obligation and the net present value of these minimum lease payments as of December 31, 2003 was as follows:

	Governmental Activities
<i>(Thousands of Dollars)</i>	
Year ending:	
2004	\$ 174
2005	175
2006	<u>174</u>
 Total minimum lease payments	 <u>\$ 523</u>

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

F. Debt Service Requirements

The maturities of the outstanding principal and related interest requirements are as follows:

Year	General Obligation Debt		Revenue Bonds Payable		Total Debt
	Principal	Interest	Principal	Interest	Service
(Thousands of Dollars)					
Governmental activities					
2004	\$ 68,617	\$ 27,514	\$ -	\$ -	\$ 96,131
2005	65,848	24,648	-	-	90,496
2006	58,145	21,568	-	-	79,713
2007	54,688	18,740	-	-	73,428
2008	52,812	16,387	-	-	69,199
2009-2013	196,669	50,501	-	-	247,170
2014-2018	91,897	17,652	-	-	109,549
2019-2023	9,599	15,426	-	-	25,025
Total	\$ 598,275	\$ 192,436	\$ -	\$ -	\$ 790,711
Business-type activities					
Water Works					
2004	\$ 5,008	\$ 1,859	\$ 803	\$ 373	\$ 8,043
2005	4,852	1,612	824	352	7,640
2006	4,692	1,358	846	330	7,226
2007	3,362	1,120	868	307	5,657
2008	2,845	960	891	284	4,980
2009-2013	12,039	3,094	4,822	1,050	21,005
2014-2018	4,987	450	5,494	370	11,301
2019-2023	24	1	-	-	25
Total	\$ 37,809	\$ 10,454	\$ 14,548	\$ 3,066	\$ 65,877
Business-type activities					
Sewer Maintenance					
2004	\$ -	\$ -	\$ 1,035	\$ 2,827	\$ 3,862
2005	-	-	2,390	2,762	5,152
2006	-	-	2,480	2,667	5,147
2007	-	-	2,570	2,575	5,145
2008	-	-	2,650	2,487	5,137
2009-2013	-	-	14,745	10,691	25,436
2014-2018	-	-	18,175	6,748	24,923
2019-2023	-	-	17,935	1,903	19,838
Total	\$ -	\$ -	\$ 61,980	\$ 32,660	\$ 94,640
Parking					
2004	\$ 3,622	\$ 885	\$ -	\$ -	\$ 4,507
2005	3,727	741	-	-	4,468
2006	1,968	586	-	-	2,554
2007	1,941	490	-	-	2,431
2008	1,987	396	-	-	2,383
2009-2013	4,833	1,024	-	-	5,857
2014-2018	1,555	156	-	-	1,711
2019-2023	2	-	-	-	2
Total	\$ 19,635	\$ 4,278	\$ -	\$ -	\$ 23,913

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2003

Year	General Obligation Debt		Revenue Bonds Payable		Total Debt Service
	Principal	Interest	Principal	Interest	
(Thousands of Dollars)					
Other Enterprise					
2004	\$ 339	\$ 210	\$ -	\$ -	\$ 549
2005	469	197	-	-	666
2006	440	175	-	-	615
2007	407	152	-	-	559
2008	406	135	-	-	541
2009-2013	1,741	385	-	-	2,126
2014-2018	561	47	-	-	608
2019-2023	<u>\$ 4,363</u>	<u>\$ 1,301</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,664</u>
Component Units					
2004	\$ 39	\$ 370	\$ 925	\$ 1,103	\$ 2,437
2005	43	367	965	1,064	2,439
2006	46	363	995	1,021	2,425
2007	50	359	1,040	975	2,424
2008	54	355	465	932	1,806
2009-2013	344	1,751	2,715	4,206	9,016
2014-2018	1,510	1,538	3,675	3,260	9,983
2019-2023	427	1,318	6,137	2,062	9,944
2024-2028	37	1,258	25,400	482	27,177
2029-2033	47	1,247	-	-	1,294
2034-2038	61	1,233	-	-	1,294
2039-2043	4,867	729	-	-	5,596
2044-2048	1,312	27	-	-	1,339
2049-2052	39	3	-	-	42
Total	<u>\$ 8,876</u>	<u>\$ 10,918</u>	<u>\$ 42,317</u>	<u>\$ 15,105</u>	<u>\$ 77,216</u>

G. Debt Limit

Wisconsin Statutes limit direct general obligation borrowing in the amount equivalent to 7% of the equalized valuation of taxable property. The Statutes further provide that within the 7% limitation, borrowing for school construction purposes may not exceed 2% of the equalized valuation and borrowing for general city purposes may not exceed 5% of the equalized valuation. At December 31, 2003, the City's legal debt margin was \$1,521,153,000. Of this amount, \$434,615,000 was for school purposes and \$461,821,000 was for City purposes.

H. Refundings

During October 2003, the City issued general obligation refunding bonds, Series B6 was in the par amount of \$17,335,000 and carries interest rates between 2.5 and 5.5% for the purpose of current and advance refunding \$17,335,000 of existing general obligation bonds. This refunding will reduce the future debt service payments by \$879,000 and result in an economic gain of \$1,157,000.

In prior years, the City defeased certain general obligation bonds by placing the proceeds from new general obligation bonds in an irrevocable trust to provide all future debt service payments on the bonds. Accordingly, the trust account assets and liability for the defeased bonds are not included in the City's financial statements. At December 31, 2003, \$160,205,000 of bonds outstanding are considered defeased, which includes debt defeased during the current year.

I. Conduit Debt

From time to time, the City, as well as the Housing Authority and the Redevelopment Authority, has issued revenue bonds in order to provide financing to private sector entities for the purpose of acquiring, constructing, or rehabilitating housing units and

CITY OF MILWAUKEE
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for retiring the existing debt associated with housing units. These obligations are primarily secured by mortgage or revenue agreements on the associated projects and, together with the interest obligation, is payable solely by the developers from leased rentals and other funds or revenues. In addition, these obligations do not constitute indebtedness of the City, as the City has no responsibility for the debt beyond the resources provided by related leases or loans. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. The aggregate amount of all revenue bonds outstanding at December 31, 2003 is approximately \$79,525,000, \$55,395,000, and \$560,085,137 for the City, HACM, and RACM, respectively.

8. RETIREMENT PLANS

Pension Benefits

Plan Description - The City makes contributions to the Employees' Retirement System of the City of Milwaukee (the "System"), a cost-sharing multiple-employer defined benefit pension plan, on behalf of all eligible City employees. The System provides retirement, disability, and death benefits to plan members and beneficiaries. The City Charter assigns the authority to establish and amend benefit provisions. The System issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Employees' Retirement System of the City of Milwaukee, 200 East Wells Street, Room 610, Milwaukee, WI 53202.

Funding Policy - Plan members are required to contribute, or have contributed on their behalf, a percentage of their annual earnable compensation equal to 5.5%, 6%, 7%, and 7% for general City employees, police officers, firefighters, and elected officials, respectively. The City is required to contribute the actuarially determined amount. The City Charter assigns the authority to establish and amend contribution requirements. The City's contributions to the System for the years ending December 31, 2003, 2002, 2001, and 2000 were \$22,015,000, \$20,233,000, \$20,288,000, and \$20,693,000, respectively, equal to the required contributions on behalf of the plan members for each year.

Other Postemployment Benefits

The City provides medical insurance benefits for substantially all retirees in accordance with terms set forth in labor contracts or by Common Council resolution. Retirees are eligible to enroll in any of the group plans offered by the City. Aside from the Basic Plan, this includes any of the Health Maintenance Organizations (HMO) plans currently offered to active employees.

The City provides full health insurance coverage to general City employees who retire at age 55, but less than age 65, with 30 years of creditable service or age 60, but less than age 65, with 15 years of creditable service until the age of 65. In accordance with a "percentage formula" as provided in labor agreements, the City provides between 65% and 100% of the cost of the Basic Plan coverage for firefighters and police officers who retire with 25 years of creditable service and having attained at least the age of 52 but less than 60. Upon reaching the age of 60 but prior to the age of 65, the City provides full health insurance coverage for firefighters with single enrollment status and police officers with single enrollment status. The City contribution for firefighters between the ages of 60 and 65 with family enrollment status is the greater of 100% of the cost of single enrollment in the Basic Plan or an amount determined using the "percentage formula." The "percentage formula" used to determine the City contribution in the labor agreements is based on the amount of unused sick leave at retirement.

After attaining the age of 65 and having completed a minimum of 15 years of creditable service, all retirees are eligible to enroll in a "subsidized plan" for medical insurance. Under this plan, the City contributes 25% of the base rate toward retirees enrolled in the Basic Plan, while the retiree pays 75% of the base rate and 100% of the major medical rate. For those retirees enrolled in an HMO, the City contributes a 25% subsidy of the applicable HMO premium.

Medical insurance for retirees is financed on a pay-as-you-go basis. Approximately 4,947 employees are eligible to receive these benefits. For 2003, the City paid approximately \$21,995,000 toward medical insurance for its retirees.

In addition to medical insurance, the City allows its employees to continue life insurance coverage under the Group Life Insurance Plan offered to active employees in accordance with Section 350-25 of the Code of Ordinances. The base amount of coverage for general City employees is equal to the employee's annual basic salary to the next higher thousand dollars. The base amount of coverage for firefighters and police officers is equal to one and one-half the employee's annual basic salary to the next higher thousand dollars.

CITY OF MILWAUKEE
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General City employees retiring at age 55 or older with 20 years of service or at age 60 regardless of years of service and covered under the group life insurance plan at retirement are eligible to continue coverage at the level on the date prior to their date of retirement. Firefighters and police officers retiring at age 52 or older with 20 years of service or at age 57 regardless of years of service and covered under the group life insurance plan at retirement are eligible to continue coverage up to their base amount of coverage on the date prior to their date of retirement. Prior to age 65, all retirees are required to pay the full premium rates as established by the insurance carrier, less an adjustment for estimated dividends. The rates established are group rates applied consistently to all employees, without regard to age or health. Upon reaching the age of 65, those retirees still part of the group life plan have their coverage reduced in accordance with the reduction schedule in effect on their last day physically at work, with the City assuming all future premiums.

For 2003, the groups rate for life insurance for the City population as a whole was approximately fifty-three cents per month per \$1,000 of coverage after estimated dividends. The effect on this rate as a result of including retirees in the pool is not determinable. Group life insurance for retirees age 65 or older are financed on a pay-as-you-go basis and cannot be readily separated from amounts paid on behalf of active employees. The City estimates \$1,042,489 out of a total \$3,781,094 for group life insurance for 2003 is attributable to approximately 4,981 retirees on the basis of the common group life rate.

Terminal Leave Payments

Upon retirement, employees receive a portion of their unused sick leave as terminal leave, in accordance with labor contracts and Section 350-38 of the Code of Ordinances. Firefighters whose normal hours of work exceed 40 hours per week receive between \$45 and \$65 for each work shift equivalent of unused sick leave. Firefighters whose normal hours of work average 40 hours per week receive between \$21 and \$30 for each work shift equivalent of unused sick leave. Police officers receive payment for up to 55 days of unused sick leave at base pay. Management pay plan employees are entitled to payment of 30% of unused sick leave (maximum 960 hours) plus one-half of the sick leave days accumulated during the last twelve months of service for up to six additional days for a total maximum of 42 days at the rate of pay at retirement. Substantially all remaining City employees receive up to 30 days for unused sick leave as terminal leave, although some bargaining units receive slightly different benefits in accordance with related labor agreements. In 2003, approximately \$9,657,000 was paid for sick leave from all funds. At December 31, 2003 accumulated sick leave earned but not taken totaled approximately \$108,305,000 determined on the basis of current salary rates.

Terminal leave pay is funded on a pay-as-you-go basis and provided for in the salary budgets of the respective departments annually. In 2003 terminal leave payments totaled \$1,569,000 to employees retiring during the year. As of December 31, 2003, the City has accrued approximately \$22,455,000 in the government-wide statements for future terminal leave payments. This amount is included under the unfunded compensated absences of \$37,770,000, with the remainder accrued vacation leave of \$15,315,000.

9. FUND EQUITY

Reserved for Tax Stabilization and Advances to Other Funds

The Reserved for Tax Stabilization, \$51,212,000 at December 31, 2003, is governed by the City's Code of Ordinances. This reserve includes an amount for advances of \$12,536,000 from the general fund to the capital projects fund. The general fund has advanced this amount to fund special assessment projects. The availability of the \$12,536,000 for Tax Stabilization is contingent upon future collection of the special assessments receivable. All General Fund appropriation balances not encumbered or carried over are reserved for tax stabilization in subsequent years. The total amount that can be withdrawn from the Reserved for Tax Stabilization in any one year is an amount that prevents an increase of more than three percent in the City's property tax rate, as defined, and is anticipated to be available as of April 15 of the year covered by the budget. Such amount must be included in the adopted budget, which requires a majority affirmative vote of the Common Council. Fund withdrawals not needed to stabilize the tax rate can be made for up to 50% of the available balance, but require a three-fourths affirmative vote of the Common Council.

Deficit Fund Equity

The Capital Projects Fund has a deficit fund balance of \$2,524,000. The deficit is the result of construction in advance of collecting assessments from property owners and issuing of long-term debt for other construction contracts.

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
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10. INTERFUND RECEIVABLE AND PAYABLE BALANCES AND NET TRANSFERS

The individual interfund receivable and payable balances at December 31, 2003, were as follows:

		Due From				
		General Fund	Water Works	Sewer Maintenance Fund	Nonmajor Proprietary Funds	Total
		(Thousands of Dollars)				
Due To	General Fund	\$ -	\$ 589	\$ -	\$ -	\$ 589
	General Obligation Debt	1,273	6,867	-	-	8,140
	Capital Projects	11,468	-	-	-	11,468
	Nonmajor Governmental Funds	4,621	-	-	-	4,621
	Water Works	168	-	852	712	1,732
	Nonmajor Proprietary Funds ..	3,941	-	-	-	3,941
	Totals	<u>\$ 21,471</u>	<u>\$ 7,456</u>	<u>\$ 852</u>	<u>\$ 712</u>	<u>\$ 30,491</u>

Balances resulted from the timing differences between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, (3) payments between funds are made, (4) and funds overdraw their share of pooled cash or when there are transactions between funds where one fund does not participate in the City's pooled cash.

The General Fund has advanced \$12,536,000 to the Capital Projects Fund to provide funding for special projects prior to assessing property owners.

Interfund transfers for the year ended December 31, 2003 were as follows:

		Transfers In					
		General Fund	General Obligation Debt Service	Public Debt Amortization	Nonmajor Governmental Funds	Nonmajor Proprietary Funds	Total
		(Thousands of Dollars)					
Transfers Out	General Fund	\$ -	\$ -	\$ -	\$ 50	\$ 27	\$ 77
	General Obligation Debt	4,271	-	-	-	522	4,793
	Public Debt Amortization.....	-	-	-	-	700	700
	Capital Projects Funds	-	2,653	6,080	-	-	8,733
	Nonmajor Governmental Funds.	4,997	12,945	-	-	-	17,942
	Water Works	7,724	-	-	-	-	7,724
	Parking	9,459	444	-	-	-	9,903
	Nonmajor Proprietary Funds ...	1,695	-	-	-	-	1,695
	Totals	<u>\$ 28,146</u>	<u>\$ 16,042</u>	<u>\$ 6,080</u>	<u>\$ 50</u>	<u>\$ 1,249</u>	<u>\$ 51,567</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires collection from to the fund that statute or budget required to expend them. (2) move receipts restricted to debt service from the funds collecting the receipts to the debt

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2003

service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

11. BALANCES BETWEEN THE CITY AND COMPONENT UNITS

Balances due to and due from component units as of December 31, 2003, consist of the following:

Component Unit Payable	Primary Government's Receivable <i>(Thousands of Dollars)</i>
Due from RACM for loans issued to developers for the purpose of renovations and improvements to existing parcels of real estate	\$ 15,962
Due from MEDC for tax incremental district loans	3,112
Due from HACM for payment in lieu of taxes and reimbursable expenditures	1,494
Due from NIDC for reimbursements for expenditures	<u>1,954</u>
Total	<u>\$ 22,522</u>

Component Unit Receivable	Primary Government's Payable <i>(Thousands of Dollars)</i>
Due to NIDC for reimbursements for programmatic expenditures passed through the City	<u>\$ 1,381</u>

12. OPERATING LEASES

The City leases various properties under operating lease agreements expiring at various dates through 2007 and beyond. Certain leases contain provisions for possible renewal at term of the lease.

Scheduled minimum lease payments for years ending December 31 are as follows:

Year	Amount
	<i>(Thousands of Dollars)</i>
2004	\$ 2,189
2005	2,355
2006	2,012
2007	2,021
2008-2012	1,752
2013-2017	7,600
2018-2022	8,095
	<u>3,918</u>
Total	<u>\$ 29,942</u>

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2003

13. COMMITMENTS AND CONTINGENCIES

Claims and Other Legal Proceedings

The City is exposed to various risks of losses related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employee or natural disaster. With certain exceptions, it is not the policy of the City to purchase commercial insurance for the risks of losses to which it is exposed. Instead, the City believes it is more economical to manage its risks internally and set aside funds as needed for reasonably estimated current claim settlements and unfavorable judgments through annual appropriations and supplemental appropriations. Current settlements are paid from the General Fund and recorded as expenditures when paid in the fund based statements. The liabilities are recorded in the government-wide financial statement.

Under Wisconsin Statutes, the amount recoverable by any person for any damages, injuries or death in any action founded on fact against the City, agencies, officials, officers or employees cannot exceed \$50,000, with certain exceptions.

The City is self-insured for workers' compensation, health insurance (basic plan), uninsured motorist motor vehicle coverage for City employees, and general liability. Liabilities are reported when it is probable that a loss can be reasonable estimated. These losses include an estimate of claims that have been incurred but not reported. Liabilities are based on the estimated ultimate cost of settling the claims, including the effects of inflation and other economic and social factors. Claims are paid from the General Fund and recorded as expenditures when paid in the fund based financial statements. The liabilities are recorded in the government-wide statements.

The liabilities recorded as long-term debt in the government-wide statements are as follows:

General liability claims	\$ 21,815,000
Workers' compensation claims	6,757,000
Unemployment claims	962,000
Health insurance claims	4,271,000

Changes in the balances of claim liabilities during the past two years are as follows:

	2002	2003
Beginning of year liability	\$ 36,945,000	\$ 34,043,000
Current year claims and changes in estimates	13,319,000	19,996,000
Claim payments	<u>(16,221,000)</u>	<u>(20,235,000)</u>
End of year liability	<u>\$ 34,043,000</u>	<u>\$ 33,804,000</u>

The Milwaukee Police Association filed suit against the City and the Milwaukee Employees' Retirement System as a result of a City Ordinance passed in 1995 that merged the Retirement Fund with the Duty Disability Fund. Actuarial reports indicated that if the separate funds were merged, there were sufficient assets within the Employees' Retirement System to fund all retirement and disability liabilities without currently requiring additional contributions. In 1996, the Circuit Court granted summary judgment to the plaintiff declaring the merger to be unconstitutional. The court stayed enforcement of its order, insofar as any additional contribution of the City was concerned, to give the City the opportunity to appeal. In 1998, the Court of Appeals modified the Circuit Court's judgment; and the City's petition to the Wisconsin Supreme Court to accept a discretionary appeal of the Court of Appeals' decision was denied. As a result, the City was required to make contributions to fund an unfunded liability in the Duty Disability Fund.

The Equal Employment Opportunity Commission ("EEOC") conducted a pattern and practice investigation from December 1993 to September 1996. The investigation resulted in a finding of probable cause that the Fire and Police Commission ("FPC") and Milwaukee Police Department discriminated, based on race, in the areas of hiring, discipline, retaliation, and terms and conditions of employment. The EEOC sought \$5 million in total remedies for the class claims and nearly \$2 million to the individual hiring charging parties. Additionally, the EEOC requested remedies for the 15 individual "terms and conditions" charging parties in an amount totaling over \$2.5 million. The EEOC also sought an additional \$1 million in compensation to the "terms and conditions" class members. The EEOC referred the matter to the United States Department of Justice ("DOJ") in February 1997. Additional individual EEOC charges have also resulted in reasonable cause determinations and have been referred to the DOJ. The DOJ conducted a further, lengthy investigation and stated by letter dated January 2, 2001 that suit

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

had been authorized against the City and the FPC. DOJ alleges that between 1991 and 1996, African-Americans were discriminated against in terms of differential and less favorable treatment in the hiring process (failing background investigations), and in terms and conditions of employment such as discipline, discharge, and assignment. In 2001 DOJ requested \$6.15 million in compensatory damages for a class of 100 victims of discriminatory terms and conditions of employment and an unspecified sum in back pay for a group of approximately 39 African-Americans who failed background investigations. The City considered that request unreasonable and urged DOJ re-consider its position. Since that time, DOJ has not responded. However, DOJ has declined to pursue litigation on behalf of seven of the charging parties and issued individual right to sue letters to them. To date, one suit has been served upon the City.

The Milwaukee Employees' Retirement System (MERS) is in the process of purchasing a computerized information system to assist in the administration of the City's pension system. The cost is expected to be in the range of \$11 to \$12 million. According to an agreement between the City and the MERS, the cost of the system is to be paid entirely by MERS. In this lawsuit, the Milwaukee Police Association alleges that the agreement between City and MERS limits MERS's obligation to pay for the information system to no more than \$3 million. If the suit is successful, the City might be liable to pay the remaining \$8 to \$9 million.

Environmental Liabilities

The City is exposed to numerous environmental liabilities, the most significant of which relate to seven landfills. Two of the seven landfills have been closed. Of the remaining four landfills that are no longer accepting waste, the Wisconsin Department of Natural Resources has imposed closure requirements on the North College Avenue Site, which the City substantially closed during 2000. The Hartung landfill, which is used exclusively for clean fill, is expected to be closed within three years. The City has accrued \$1,110,000 in the government-wide financial statement, as part of general liability claims, for landfill closure related to the four sites. These amounts are based upon what it would cost to perform all closure activities in 2001. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

GASB Statement No. 18 "*Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs*" establishes requirements for disclosure of closure and postclosure requirements for all municipal solid waste landfills receiving solid waste after October 9, 1991. The City's landfills have not accepted waste of this type since 1976 and is therefore not required to accrue for closure and postclosure care in accordance with GASB Statement No. 18.

Intergovernmental grants

Intergovernmental awards received by the City are subject to audit and adjustment by the funding agency or their representatives. If grant revenues are received for expenditures, which are subsequently disallowed, the City may be required to repay the revenues to the funding agency. In the opinion of management, liabilities resulting from such disallowed expenditures, if any, will not be material to the accompanying financial statements at December 31, 2003.

14. SUBSEQUENT EVENTS

On April 21, 2004, the City issued \$24,200,000 of general obligation corporate purpose bonds for the purpose of financing various public improvement projects of the City. These bonds mature on February 15 of each year beginning 2005 until 2021. Interest is payable on February 15 and August 15 commencing August 15, 2004,

On April 21, 2004, the City issued \$66,235,000 of general obligation short-term promissory notes for the purpose of financing various public improvement projects and fiscal requirements of the City. The notes mature on February 15 of each year beginning 2005 until 2010. Interest is payable on February 15 and August 15 commencing August 15, 2004.

On April 21, 2004, the City issued \$66,000,000 of short-term revenue anticipation notes for the purpose of temporarily financing the City's operating budget until the receipt of State shared revenues. These notes mature on May 5, 2005 with interest.

**REQUIRED
SUPPLEMENTARY
INFORMATION**

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CITY OF MILWAUKEE
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2003
(Thousands of Dollars)

Exhibit E-1

	Budgeted Amounts		Actual -	Variance
	Original	Final	Amounts	Positive
	Budget	Budget	Budgetary	(Negative)
			Basis	
Revenues:				
Property taxes	\$ 131,672	\$ 131,672	\$ 126,749	\$ (4,923)
Other taxes	3,473	3,473	4,318	845
Licenses and permits	9,054	9,054	10,883	1,829
Intergovernmental	284,218	284,218	284,565	347
Charges for services	47,900	47,900	55,714	7,814
Fines and forfeits	4,113	4,113	6,115	2,002
Other	6,557	8,143	7,814	(329)
Total Revenues	\$ 486,987	\$ 488,573	\$ 496,158	\$ 7,585
Expenditures:				
Current:				
General government	\$ 190,451	\$ 170,865	\$ 165,270	\$ 5,595
Public safety	203,458	238,189	239,698	(1,509)
Public works	89,367	88,704	86,335	2,369
Health	10,672	11,154	10,677	477
Culture and recreation	17,426	17,275	17,165	110
Conservation and development	3,866	3,891	3,833	58
Total Expenditures	\$ 515,240	\$ 530,078	\$ 522,978	\$ 7,100
Deficiency of Revenues over Expenditures	\$ (28,253)	\$ (41,505)	\$ (26,820)	\$ 14,685
Other Financing Sources (Uses):				
General obligation bonds and notes issued	\$ -	\$ 4,000	\$ 4,000	\$ -
Transfers in	18,673	22,944	28,146	5,202
Transfers out	-	(77)	(77)	-
Contributions received	25,798	25,798	22,499	(3,299)
Contributions used	(25,040)	(22,044)	(21,777)	267
Use of fund balance - reserved for tax stabilization	9,300	9,300	9,300	-
Total Other Financing Sources and Uses	\$ 28,731	\$ 39,921	\$ 42,091	\$ 2,170
Net Change in Fund Balance	\$ 478	\$ (1,584)	\$ 15,271	\$ 16,855
Fund Balance - Beginning (Excludes Reserved for				
 Tax Stabilization)	76,710	76,710	76,710	-
Fund Balance - Ending	\$ 77,188	\$ 75,126	\$ 91,981	\$ 16,855
Explanation of Differences of Budget to GAAP:				
For budget purposes, the fund balance - reserved for tax stabilization is reflected as other financing sources whereas for accounting purposes, it is reflected as part of fund balance. The difference between the fund balance on a GAAP basis compared to budget basis is \$9.300 million at January 1, 2003. In addition, budgeted expenditures do not include capital lease payments as public safety expenditures.				
Contributions received and used for budget purposes are reported as other financing sources, but for GAAP are considered to be revenues and expenditures.				
See accompanying independent auditors' report.				

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**COMBINING
AND INDIVIDUAL
FUND STATEMENTS
AND SCHEDULES**

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Nonmajor Governmental Funds

Nonmajor funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trust or major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action.

Grant and Aid Projects – This fund is used to account for Federal and State grants whose proceeds are legally restricted to expenditures for specific purposes and which are not accounted for in other special revenue funds.

Community Development Block Grant – The Community Development Block Grant Program receives annual grants pursuant to the Federal Housing and Community Development Act of 1974. This fund also includes amounts received under the Section 108 Loan Program. The City's Department of Administration is responsible for the planning, execution and evaluation of the Program.

Delinquent Tax – This fund was established as a reserve against uncollected delinquent property taxes. Fund resources, consisting initially of bond proceeds, are used to purchase delinquent property taxes from the General Fund. Collections on these purchased receivables and related interest thereon are transferred to the General Obligation Debt Service Fund to provide for the related debt service requirements.

Economic Development Fund – This fund provides expenditure authority for owner financed economic development in commercial areas, including the Business Improvement District program.

CITY OF MILWAUKEE
COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS
 DECEMBER 31, 2003
 (Thousands of Dollars)

Exhibit F-1

	Grant and Aid Projects	Community Development Block Grant	Delinquent Tax	Economic Development	Total Nonmajor Governmental Funds
ASSETS					
Assets:					
Cash and cash equivalents	\$ 6,174	\$ -	\$ 8,695	\$ 4	\$ 14,873
Receivables (net):					
Taxes	-	-	8,150	-	8,150
Accounts	1,654	742	-	-	2,396
Notes and loans	-	6,865	-	-	6,865
Accrued interest	1	-	-	-	1
Due from other governmental agencies	8,012	3,048	-	-	11,060
Total Assets	\$ 15,841	\$ 10,655	\$ 16,845	\$ 4	\$ 43,345
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 4,988	\$ 2,437	\$ -	\$ -	\$ 7,425
Due to other funds	4,333	288	-	-	4,621
Due to component units	1,122	259	-	-	1,381
Due to other governmental agencies	98	742	-	-	840
Deferred revenue	5,300	6,929	2,086	-	14,315
Total Liabilities	\$ 15,841	\$ 10,655	\$ 2,086	\$ -	\$ 28,582
Fund Balances:					
Reserved for debt service	\$ -	\$ -	\$ 8,695	\$ -	\$ 8,695
Reserved for delinquent taxes receivable ..	-	-	6,064	-	6,064
Reserved for economic development	-	-	-	4	4
Total Fund Balances	\$ -	\$ -	\$ 14,759	\$ 4	\$ 14,763
Total Liabilities and Fund Balances .	\$ 15,841	\$ 10,655	\$ 16,845	\$ 4	\$ 43,345

See accompanying independent auditors' report.

CITY OF MILWAUKEE
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2003
 (Thousands of Dollars)

Exhibit F-2

	Grant and Aid Projects	Community Development Block Grant	Delinquent Tax	Economic Development	Total Nonmajor Governmental Funds
Revenues:					
Property taxes	\$ -	\$ -	\$ 4,574	\$ -	\$ 4,574
Intergovernmental	48,315	23,980	-	-	72,295
Other	-	-	1,662	4,233	5,895
Total Revenues	\$ 48,315	\$ 23,980	\$ 6,236	\$ 4,233	\$ 82,764
Expenditures:					
Current:					
General government	\$ -	\$ 1,690	\$ 1,049	\$ -	\$ 2,739
Public safety	16,995	2,123	-	-	19,118
Public works	4,148	923	-	-	5,071
Health	13,266	753	-	-	14,019
Culture and recreation	874	992	-	-	1,866
Conservation and development	12,958	17,499	-	4,229	34,686
Total Expenditures	\$ 48,241	\$ 23,980	\$ 1,049	\$ 4,229	\$ 77,499
Excess (deficiency) of Revenues over Expenditures	\$ 74	\$ -	\$ 5,187	\$ 4	\$ 5,265
Other Financing Sources (Uses):					
General obligation bonds and notes issued .	\$ -	\$ -	\$ 13,855	\$ -	\$ 13,855
Transfers out	(74)	-	(17,868)	-	(17,942)
Total Other Financing Sources and Uses	\$ (74)	\$ -	\$ (4,013)	\$ -	\$ (4,087)
Net Change in Fund Balances	\$ -	\$ -	\$ 1,174	\$ 4	\$ 1,178
Fund Balances - Beginning	-	-	13,585	-	13,585
Fund Balances - Ending	\$ -	\$ -	\$ 14,759	\$ 4	\$ 14,763
See accompanying independent auditors' report.					

CITY OF MILWAUKEE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GRANT AND AID PROJECTS
 FOR THE YEAR ENDED DECEMBER 31, 2003
(Thousands of Dollars)

Exhibit F-3

	Amended Budget	Actual on Budgetary Basis	Variance - Favorable (Unfavorable)
Revenues:			
Intergovernmental	\$ 49,286	\$ 48,315	\$ (971)
Expenditures:			
Current:			
Public safety	\$ 17,341	\$ 16,995	\$ 346
Public works	4,341	4,148	193
Health	13,713	13,266	447
Culture and recreation	906	874	32
Conservation and development	12,985	12,958	27
Total Expenditures	\$ 49,286	\$ 48,241	\$ 1,045
Excess of Revenues over (under) Expenditures	\$ -	\$ 74	\$ 74
Other Financing Sources (Uses):			
Transfers out	-	(74)	(74)
Net Change in Fund Balance	\$ -	\$ -	\$ -
Fund Balance - Beginning	-	-	-
Fund Balance - Ending	\$ -	\$ -	\$ -

See accompanying independent auditors' report.

Exhibit F-4

See accompanying independent auditors' report.

CITY OF MILWAUKEE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
ECONOMIC DEVELOPMENT
 FOR THE YEAR ENDED DECEMBER 31, 2003
(Thousands of Dollars)

Exhibit F-5

	Amended Budget	Actual on Budgetary Basis	Variance - Favorable (Unfavorable)
Revenues:			
Other	\$ 4,504	\$ 4,233	\$ (271)
Expenditures:			
Current:			
Conservation and development	\$ 4,504	\$ 4,229	\$ 275
Excess of Revenues over (under) Expenditures	\$ -	\$ 4	\$ 4
Fund Balance - Beginning	-	-	-
Fund Balance - Ending	\$ -	\$ 4	\$ 4

See accompanying independent auditors' report.

Nonmajor Enterprise Funds

Enterprise Funds are used to account for operations that provide services which are financed primarily by user charges, or activities where periodic measurement of net income is appropriate for capital maintenance, public policy, management control or other purposes.

Port of Milwaukee – All activities necessary to operate and maintain the Port of Milwaukee and other related harbor activities are accounted for in this fund.

Metropolitan Sewerage District User Charge – The Metropolitan Sewerage District User Charge Fund is used to account for sewerage treatment charges by the Milwaukee Metropolitan Sewerage District to the City on a “wholesale” user charge basis and the subsequent billing by the City to customers on a “retail” basis. The City adds administrative expense to the District’s charges and includes the sewer user charges on the quarterly water bills.

CITY OF MILWAUKEE
COMBINING STATEMENT OF NET ASSETS
NONMAJOR ENTERPRISE FUNDS
 DECEMBER 31, 2003
(Thousands of Dollars)

Exhibit G-1

	Port of Milwaukee	Metropolitan Sewerage District User Charge	Total Nonmajor Enterprise Funds
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 1,897	\$ -	\$ 1,897
Receivables (net):			
Taxes	238	-	238
Accounts	356	7,154	7,510
Unbilled accounts	176	1,772	1,948
Due from other funds	-	712	712
Total Current Assets	<u>\$ 2,667</u>	<u>\$ 9,638</u>	<u>\$ 12,305</u>
Noncurrent assets:			
Capital assets:			
Capital assets not being depreciated:			
Land	\$ 8,280	\$ -	\$ 8,280
Construction in progress	38	-	38
Capital assets being depreciated:			
Buildings	9,699	-	9,699
Improvements other than buildings	18,827	-	18,827
Machinery and equipment	4,865	-	4,865
Furniture and furnishings	52	-	52
Accumulated depreciation	(22,212)	-	(22,212)
Total Noncurrent Assets	<u>\$ 19,549</u>	<u>\$ -</u>	<u>\$ 19,549</u>
Total Assets	<u>\$ 22,216</u>	<u>\$ 9,638</u>	<u>\$ 31,854</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	\$ 356	\$ 6,204	\$ 6,560
Accrued expenses	118	-	118
Due to other funds	-	3,941	3,941
Deferred revenue	446	-	446
General obligation debt payable - current	339	-	339
Total Current Liabilities	<u>\$ 1,259</u>	<u>\$ 10,145</u>	<u>\$ 11,404</u>
Noncurrent Liabilities:			
General obligation debt	\$ 4,054	\$ -	\$ 4,054
Total Liabilities	<u>\$ 5,313</u>	<u>\$ 10,145</u>	<u>\$ 15,458</u>
NET ASSETS:			
Invested in capital assets, net of related debt	\$ 15,163	\$ -	\$ 15,163
Unrestricted	1,740	(507)	1,233
Total Net Assets	<u>\$ 16,903</u>	<u>\$ (507)</u>	<u>\$ 16,396</u>

See accompanying independent auditors' report.

CITY OF MILWAUKEE Exhibit G-2
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
NONMAJOR ENTERPRISE FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2003
 (Thousands of Dollars)

	Port of Milwaukee	Metropolitan Sewerage District User Charge	Total Nonmajor Enterprise Funds
Operating Revenues:			
Charges for Services:			
Statutory sewer user fee	\$ -	\$ 28,578	\$ 28,578
Rent	3,839	-	3,839
Other	-	1,945	1,945
Total Operating Revenues	<u>\$ 3,839</u>	<u>\$ 30,523</u>	<u>\$ 34,362</u>
Operating Expenses:			
Milwaukee Metropolitan Sewerage District Charges	\$ -	\$ 26,475	\$ 26,475
Employee services	1,285	111	1,396
Administrative and general	-	40	40
Depreciation	717	-	717
Transmission and distribution	-	3,422	3,422
Services, supplies and materials	936	-	936
Billing and collection	-	1,613	1,613
Total Operating Expenses	<u>\$ 2,938</u>	<u>\$ 31,661</u>	<u>\$ 34,599</u>
Operating Income (Loss)	<u>\$ 901</u>	<u>\$ (1,138)</u>	<u>\$ (237)</u>
Nonoperating Revenues (Expenses):			
Interest expense	\$ (158)	\$ -	\$ (158)
Gain (loss) on sale of fixed assets	<u>1</u>	<u>-</u>	<u>1</u>
Total Nonoperating Revenues (Expenses)	<u>\$ (157)</u>	<u>\$ -</u>	<u>\$ (157)</u>
Income (Loss) before Contributions and Transfers	\$ 744	\$ (1,138)	\$ (394)
Capital contributions	\$ (179)	\$ -	\$ (179)
Transfers in	1,249	-	1,249
Transfers out	<u>(1,695)</u>	<u>-</u>	<u>(1,695)</u>
Change in Net Assets	\$ 119	\$ (1,138)	\$ (1,019)
Total Net Assets - Beginning	<u>16,784</u>	<u>631</u>	<u>17,415</u>
Total Net Assets - Ending	<u>\$ 16,903</u>	<u>\$ (507)</u>	<u>\$ 16,396</u>

See accompanying independent auditors' report.

CITY OF MILWAUKEE
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2003
(Thousands of Dollars)

Exhibit G-3

	Port of Milwaukee	Metropolitan Sewerage District User Charge	Total Nonmajor Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers and users	\$ 3,823	\$ 30,374	\$ 34,197
Payments to suppliers	(645)	(31,277)	(31,922)
Payments to employees	(1,305)	(113)	(1,418)
Payments from other funds	-	1,016	1,016
Net Cash Provided by (Used for) Operating Activities	<u>\$ 1,873</u>	<u>\$ -</u>	<u>\$ 1,873</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers to other funds	<u>\$ (1,667)</u>	<u>\$ -</u>	<u>\$ (1,667)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Capital contributions	\$ 472	\$ -	\$ 472
Proceeds from sale of bonds and notes	1,477	-	1,477
Acquisition of property, plant and equipment	(1,302)	-	(1,302)
Retirement of bonds, notes and revenue bonds	(430)	-	(430)
Interest paid	(156)	-	(156)
Transfers from other funds	700	-	700
Transfers to other funds	156	-	156
Repairs and restorations	<u>(179)</u>	<u>-</u>	<u>(179)</u>
Net Cash Provided by (Used for) Capital and Related Financing Activities	<u>\$ 738</u>	<u>\$ -</u>	<u>\$ 738</u>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 944	\$ -	\$ 944
Cash and Cash Equivalents - Beginning	<u>953</u>	<u>-</u>	<u>953</u>
Cash and Cash Equivalents - Ending	<u>\$ 1,897</u>	<u>\$ -</u>	<u>\$ 1,897</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:			
Operating income (loss)	\$ 901	\$ (1,138)	\$ (237)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	717	-	717
Changes in assets and liabilities:			
Receivables	(61)	(149)	(210)
Due from other funds	-	(164)	(164)
Accounts payable	290	273	563
Accrued liabilities	(20)	(2)	(22)
Due to other funds	-	1,180	1,180
Deferred revenue	<u>46</u>	<u>-</u>	<u>46</u>
Net Cash Provided by (Used for) Operating Activities	<u>\$ 1,873</u>	<u>\$ -</u>	<u>\$ 1,873</u>
<i>See accompanying independent auditors' report.</i>			

Agency Funds

These funds account for taxes and deposits collected by the City, acting in the capacity of an agent, for distribution to other governmental units or designated beneficiaries.

CITY OF MILWAUKEE
COMBINING SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2003
 (Thousands of Dollars)

Exhibit H-1

	Balance 01-01-03	Additions	Deductions	Balance 12-31-03
BOARD OF SCHOOL DIRECTORS FUND				
ASSETS				
Cash and cash equivalents	\$ 167,754	\$ 1,259,671	\$ 1,263,625	\$ 163,800
Taxes receivable	-	102,926	102,926	-
Total Assets	\$ 167,754	\$ 1,362,597	\$ 1,366,551	\$ 163,800
LIABILITIES				
Due to Other Governmental Agencies:				
Milwaukee School Board	\$ 167,754	\$ 2,384,989	\$ 2,388,943	\$ 163,800
PROPERTY TAX FUND				
ASSETS				
Cash and cash equivalents	\$ 76,976	\$ 180,726	\$ 178,707	\$ 78,995
Taxes Receivable	1	101,791	101,792	-
Total Assets	\$ 76,977	\$ 282,517	\$ 280,499	\$ 78,995
LIABILITIES				
Due to Other Governmental Agencies:				
State of Wisconsin	\$ 87	\$ 4,218	\$ 4,086	\$ 219
Milwaukee County	45,197	101,512	100,788	45,921
Menomonee Falls School District	-	250	250	-
Milwaukee Area District Board of Vocational Technical & Adult Education	17,160	40,859	39,808	18,211
Milwaukee Metropolitan Sewerage District	14,533	33,833	33,722	14,644
Washington County	-	3	3	-
Waukesha County	-	50	50	-
Total Liabilities	\$ 76,977	\$ 180,725	\$ 178,707	\$ 78,995
PAYROLL DEDUCTIONS FUND				
ASSETS				
Cash and cash equivalents	\$ 368	\$ 1,420	\$ 1,614	\$ 174
LIABILITIES				
Accounts payable	\$ 368	\$ 1,420	\$ 1,614	\$ 174
See accompanying independent auditors' report.				

CITY OF MILWAUKEE
COMBINING SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2003
 (Thousands of Dollars)

Exhibit H-1 (Continued)

	Balance 01-01-03	Additions	Deductions	Balance 12-31-03
FEES, PENALTIES AND SALES TAX FUND				
ASSETS				
Cash and cash equivalents	\$ 449	\$ 5,490	\$ 5,418	\$ 521
LIABILITIES				
Accounts payable	\$ 54	\$ 998	\$ 906	\$ 146
Due to Other Governmental Agencies:				
State of Wisconsin	319	3,283	3,295	307
Milwaukee County	76	1,209	1,217	68
Total Liabilities	\$ 449	\$ 5,490	\$ 5,418	\$ 521
OTHER				
ASSETS				
Cash and cash equivalents	\$ 1,984	\$ 15,003	\$ 15,690	\$ 1,297
LIABILITIES				
Accounts payable	\$ 1,984	\$ 15,003	\$ 15,690	\$ 1,297
TOTAL - ALL AGENCY FUNDS				
ASSETS				
Cash and cash equivalents	\$ 247,531	\$ 1,462,310	\$ 1,465,054	\$ 244,787
Receivables:				
Taxes	1	204,717	204,718	-
Total Assets	\$ 247,532	\$ 1,667,027	\$ 1,669,772	\$ 244,787
LIABILITIES				
Accounts payable	\$ 2,406	\$ 17,421	\$ 18,210	\$ 1,617
Due to other governmental agencies	245,126	2,570,206	2,572,162	243,170
Total Liabilities	\$ 247,532	\$ 2,587,627	\$ 2,590,372	\$ 244,787
<i>See accompanying independent auditors' report.</i>				

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**MISCELLANEOUS
FINANCIAL
DATA**

Exhibit I-1

	Real Estate	Personal Property	Total
Year Levied			
1985-1992	\$ 379	\$ 1	\$ 380
1993	414	-	414
1994	307	-	307
1995	463	-	463
1996	596	-	596
1997	510	84	594
1998	649	124	773
1999	590	107	697
2000	1,057	150	1,207
2001	3,670	280	3,950
2002	<u>14,620</u>	<u>536</u>	<u>15,156</u>
Delinquent Taxes Receivable	<u>\$ 23,255</u>	<u>\$ 1,282</u>	\$ 24,537
Add: Property taxes receivable on foreclosed property (A)			<u>14,159</u>
Total Delinquent Taxes Receivable			\$ 38,696
Less: Estimated uncollectible taxes			<u>(14,386)</u>
Net Delinquent Taxes Receivable			<u>\$ 24,310</u>
See accompanying independent auditors' report.			
(A) Property taxes receivable on foreclosed property is valued at the cost of delinquent taxes and assessments on acquired property.			

CITY OF MILWAUKEE
COMBINED SCHEDULE OF CASH AND CASH EQUIVALENTS AND INVESTMENTS - REPORTING ENTITY
 DECEMBER 31, 2003
 (Thousands of Dollars)

Exhibit I-2

Cash and Cash Equivalents:	
Cash	\$ 76,725
Local Government Pooled - Investment Fund	278,367
Institutional Money Market Fund	253
Cash with Fiscal Agent	39,618
Certificates of Deposit	215,000
U.S. Agency Notes	10,034
Other	<u>173</u>
Total Cash and Cash Equivalents	\$ 620,170
Investments:	
Deferred Compensation Pool	\$ 417,930
Treasury Notes, Bills and Agencies	43,215
Investments with Fiscal Agent	1,640
Capital Appreciation Bonds	21,527
Certificates of Deposit	15,204
Other	<u>4,856</u>
Total Investments	<u>504,372</u>
Total Cash and Cash Equivalents and Investments	<u>\$ 1,124,542</u>

	Cash and Cash Equivalents	Investments	Restricted Cash and Cash Equivalents	Restricted Investments	Total
Cash and Cash Equivalents and Investments - Fund:					
General	\$ 114,921	\$ 276	\$ -	\$ -	\$ 115,197
General Obligation Debt Service	70,978	-	-	-	70,978
Public Debt Amortization	12,326	64,264	-	-	76,590
Capital Projects	29,450	-	-	-	29,450
Nonmajor Governmental Funds	14,873	-	-	-	14,873
Water Works	11,931	15,000	-	-	26,931
Sewer Maintenance	5,052	-	26,329	-	31,381
Parking	19,399	-	-	-	19,399
Nonmajor Enterprise Funds	1,897	-	-	-	1,897
Pension and Other Employee Benefit Trusts	117	-	-	417,930	418,047
Private-Purpose Trusts	1,983	5,058	-	-	7,041
Agency Funds	244,787	-	-	-	244,787
Component Units	<u>66,127</u>	<u>1,844</u>	<u>-</u>	<u>-</u>	<u>67,971</u>
Total Cash and Cash Equivalents and Investments - Fund	<u>\$ 593,841</u>	<u>\$ 86,442</u>	<u>\$ 26,329</u>	<u>\$ 417,930</u>	<u>\$ 1,124,542</u>

See accompanying independent auditors' report.

CITY OF MILWAUKEE
DEBT SERVICE REQUIREMENTS TO MATURITY -
GENERAL OBLIGATION BONDS AND NOTES
DECEMBER 31, 2003
(Thousands of Dollars)

Exhibit I-3

Year	Blight Elimination/ Urban Renewal		Bridges		Economic Development	
	Principal	Interest	Principal	Interest	Principal	Interest
2004	\$ 2,903	\$ 1,162	\$ 1,301	\$ 620	\$ 152	\$ 27
2005	2,980	1,027	1,299	563	177	20
2006	2,787	878	1,173	501	48	10
2007	2,291	734	1,137	445	46	7
2008	2,083	630	1,150	392	42	6
2009	1,837	530	1,178	336	38	3
2010	1,802	442	1,124	277	21	1
2011	1,636	351	948	219	2	1
2012	1,497	269	867	173	2	-
2013	1,140	193	758	129	2	-
2014	1,136	134	608	90	1	-
2015	969	77	505	59	1	-
2016	491	28	359	34	-	-
2017	36	2	224	14	-	-
2018	2	-	156	6	-	-
2019	2	-	3	-	-	-
2020	-	-	-	-	-	-
2021	-	-	-	-	-	-
2022	-	-	-	-	-	-
2023	-	-	-	-	-	-
Totals	<u>\$ 23,592</u>	<u>\$ 6,457</u>	<u>\$ 12,790</u>	<u>\$ 3,858</u>	<u>\$ 532</u>	<u>\$ 75</u>
Total Requirements	<u>\$ 30,049</u>		<u>\$ 16,648</u>		<u>\$ 607</u>	

See accompanying independent auditors' report.

Finance Real and Personal Property Tax Receivables		Financial Management Information System Replacement Project		Fire	
Principal	Interest	Principal	Interest	Principal	Interest
\$ 12,930	\$ 684	\$ 2,018	\$ 465	\$ 699	\$ 498
5,605	334	2,099	376	1,085	471
2,475	157	2,146	284	1,080	417
1,690	81	2,233	185	1,024	362
1,005	32	1,950	80	929	322
485	7	410	10	802	277
-	-	-	-	805	235
-	-	-	-	788	195
-	-	-	-	743	154
-	-	-	-	697	116
-	-	-	-	707	81
-	-	-	-	651	48
-	-	-	-	225	18
-	-	-	-	133	7
-	-	-	-	2	-
-	-	-	-	2	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>24,190</u>	<u>1,295</u>	<u>10,856</u>	<u>1,400</u>	<u>10,372</u>	<u>3,201</u>
<u>\$ 25,485</u>		<u>\$ 12,256</u>		<u>\$ 13,573</u>	

CITY OF MILWAUKEE
DEBT SERVICE REQUIREMENTS TO MATURITY -
GENERAL OBLIGATION BONDS AND NOTES
DECEMBER 31, 2003
(Thousands of Dollars)

Exhibit I-3 (Continued)

Year	Grant and Aid Improvements - City Share		Harbor		Industrial Land Bank	
	Principal	Interest	Principal	Interest	Principal	Interest
2004	\$ 94	\$ 15	\$ 339	\$ 210	\$ 48	\$ 13
2005	117	11	469	197	67	10
2006	24	6	440	175	34	7
2007	24	5	407	152	32	5
2008	24	5	406	135	29	4
2009	24	4	426	114	26	2
2010	24	3	347	94	15	1
2011	24	3	348	77	2	1
2012	24	2	333	58	1	-
2013	25	1	287	42	1	-
2014	-	-	252	27	1	-
2015	-	-	234	15	1	-
2016	-	-	65	4	-	-
2017	-	-	10	1	-	-
2018	-	-	-	-	-	-
2019	-	-	-	-	-	-
2020	-	-	-	-	-	-
2021	-	-	-	-	-	-
2022	-	-	-	-	-	-
2023	-	-	-	-	-	-
Totals	\$ 404	\$ 55	\$ 4,363	\$ 1,301	\$ 257	\$ 43
Total Requirements	<u>\$ 459</u>		<u>\$ 5,664</u>		<u>\$ 300</u>	

See accompanying independent auditors' report.

Lakefront Development		Library		Local Improvement Projects/ Special Assessments		Milwaukee Exposition and Convention Center and Arena	
Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
\$ 6	\$ 2	\$ 752	\$ 437	\$ 2,013	\$ 1,167	\$ 14	\$ 5
8	1	920	402	2,390	1,079	19	5
4	1	918	353	1,979	951	18	3
4	1	822	305	1,991	843	16	2
4	-	803	267	1,827	749	13	2
4	-	771	226	1,638	661	11	1
2	-	745	186	1,371	580	7	1
-	-	593	150	1,160	519	1	-
-	-	539	120	839	468	1	-
-	-	536	92	974	416	1	-
-	-	497	65	1,001	367	-	-
-	-	428	43	574	324	-	-
-	-	260	23	2,377	294	-	-
-	-	190	10	2,465	196	-	-
-	-	3	-	2,216	93	-	-
-	-	3	-	23	1	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 32</u>	<u>\$ 5</u>	<u>\$ 8,780</u>	<u>\$ 2,679</u>	<u>\$ 24,838</u>	<u>\$ 8,708</u>	<u>\$ 101</u>	<u>\$ 19</u>
<u>\$ 37</u>		<u>\$ 11,459</u>		<u>\$ 33,546</u>		<u>\$ 120</u>	

CITY OF MILWAUKEE
DEBT SERVICE REQUIREMENTS TO MATURITY -
GENERAL OBLIGATION BONDS AND NOTES
DECEMBER 31, 2003
(Thousands of Dollars)

Exhibit I-3 (Continued)

Year	Municipal Expenses		Principal	Parking Interest	Playgrounds/ Recreational Facilities	
	Principal	Interest			Principal	Interest
2004	\$ -	\$ 83	\$ 3,622	\$ 885	\$ 880	\$ 407
2005	250	80	3,727	741	953	361
2006	250	70	1,968	586	980	308
2007	250	60	1,941	490	874	258
2008	250	50	1,987	396	847	215
2009	250	40	1,395	308	769	173
2010	250	30	991	248	648	135
2011	250	20	922	200	477	104
2012	250	10	838	155	374	82
2013	-	-	687	113	443	61
2014	-	-	594	78	362	39
2015	-	-	492	48	223	23
2016	-	-	321	23	160	12
2017	-	-	95	6	75	4
2018	-	-	53	1	7	1
2019	-	-	2	-	8	-
2020	-	-	-	-	-	-
2021	-	-	-	-	-	-
2022	-	-	-	-	-	-
2023	-	-	-	-	-	-
Totals	<u>\$ 2,000</u>	<u>\$ 443</u>	<u>\$ 19,635</u>	<u>\$ 4,278</u>	<u>\$ 8,080</u>	<u>\$ 2,183</u>
Total Requirements	<u>\$ 2,443</u>		<u>\$ 23,913</u>		<u>\$ 10,263</u>	

See accompanying independent auditors' report.

<u>Police</u>		<u>Public Buildings</u>		<u>Resource Recovery</u>	
<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
\$ 4,271	\$ 2,333	\$ 6,383	\$ 2,835	\$ 16	\$ 4
4,412	2,154	7,193	2,535	22	3
4,200	1,951	6,515	2,178	11	2
4,282	1,749	5,984	1,859	10	2
4,474	1,553	5,631	1,586	9	1
4,693	1,332	5,041	1,322	9	1
4,282	1,095	4,623	1,083	5	1
3,631	872	4,067	863	1	-
3,400	688	3,739	671	1	-
3,118	513	3,406	483	-	-
2,492	354	2,416	316	-	-
2,198	229	2,007	203	-	-
1,535	116	1,331	101	-	-
990	35	659	34	-	-
109	3	33	1	-	-
10	-	13	1	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 48,097</u>	<u>\$ 14,977</u>	<u>\$ 59,041</u>	<u>\$ 16,071</u>	<u>\$ 84</u>	<u>\$ 14</u>
<u>\$ 63,074</u>		<u>\$ 75,112</u>		<u>\$ 98</u>	

CITY OF MILWAUKEE
DEBT SERVICE REQUIREMENTS TO MATURITY -
GENERAL OBLIGATION BONDS AND NOTES
DECEMBER 31, 2003
(Thousands of Dollars)

Exhibit I-3 (Continued)

Year	Schools		Sewers		Streets	
	Principal	Interest	Principal	Interest	Principal	Interest
2004	\$ 10,796	\$ 4,674	\$ 7,924	\$ 3,402	\$ 8,832	\$ 4,137
2005	10,643	4,234	8,214	3,043	9,705	3,732
2006	10,448	3,791	7,231	2,648	8,483	3,250
2007	9,727	3,302	7,031	2,295	8,129	2,822
2008	10,179	3,012	6,505	1,979	7,970	2,440
2009	8,557	2,540	5,791	1,675	7,574	2,050
2010	8,876	2,422	5,157	1,401	6,920	1,670
2011	8,082	1,957	4,631	1,147	5,498	1,325
2012	7,831	1,999	4,162	922	5,098	1,052
2013	7,317	1,856	3,410	712	4,533	793
2014	6,147	1,462	3,415	539	3,796	565
2015	5,496	1,785	2,837	371	3,303	382
2016	3,959	1,465	1,909	224	2,347	213
2017	2,658	1,988	1,518	126	1,633	92
2018	1,649	1,832	1,307	53	561	20
2019	1,714	2,569	15	-	13	-
2010	1,676	2,909	-	-	-	-
2021	1,433	2,772	-	-	-	-
2022	1,684	3,631	-	-	-	-
2023	1,469	3,486	-	-	-	-
Totals	\$ 120,341	\$ 53,686	\$ 71,057	\$ 20,537	\$ 84,395	\$ 24,543
Total Requirements	<u>\$ 174,027</u>		<u>\$ 91,594</u>		<u>\$ 108,938</u>	

See accompanying independent auditors' report.

Tax Incremental Districts		Water		Total Requirements	
Principal	Interest	Principal	Interest	Principal	Interest
\$ 6,585	\$ 4,544	\$ 5,008	\$ 1,859	\$ 77,586	\$ 30,468
7,690	4,207	4,852	1,612	74,896	27,198
7,341	3,802	4,692	1,358	65,245	23,687
7,091	3,418	3,362	1,120	60,398	20,502
7,088	3,062	2,845	960	58,050	17,878
6,971	2,708	1,989	851	50,689	15,171
6,810	2,350	2,492	754	47,317	13,009
6,671	2,001	2,966	635	42,698	10,640
6,254	1,659	2,491	494	39,284	8,976
5,858	1,328	2,101	360	35,294	7,208
4,614	1,021	2,286	251	30,325	5,389
3,983	789	1,676	141	25,578	4,537
2,517	570	982	53	18,838	3,178
3,863	436	21	3	14,570	2,954
3,569	235	22	2	9,689	2,247
1,386	54	24	1	3,218	2,626
145	3	-	-	1,821	2,912
-	-	-	-	1,433	2,772
-	-	-	-	1,684	3,631
-	-	-	-	1,469	3,486
<u>\$ 88,436</u>	<u>\$ 32,187</u>	<u>\$ 37,809</u>	<u>\$ 10,454</u>	<u>\$ 660,082</u>	<u>\$ 208,469</u>
<u>\$ 120,623</u>		<u>\$ 48,263</u>		<u>\$ 868,551</u>	

CITY OF MILWAUKEE
**DEBT SERVICE REQUIREMENTS TO MATURITY - WATER REVENUE
 AND DISCLOSURE OF BOND COVERAGE**
(Thousands of Dollars)

Exhibit I-4

Year	Principal	Interest	Total Requirements
2004	\$ 803	\$ 373	\$ 1,176
2005	824	352	1,176
2006	846	330	1,176
2007	868	307	1,175
2008	891	284	1,175
2009	915	260	1,175
2010	939	236	1,175
2011	964	211	1,175
2012	989	185	1,174
2013	1,015	158	1,173
2014	1,042	131	1,173
2015	1,070	104	1,174
2016	1,098	75	1,173
2017	1,127	45	1,172
2018	<u>1,157</u>	<u>15</u>	<u>1,172</u>
	<u>\$ 14,548</u>	<u>\$ 3,066</u>	<u>\$ 17,614</u>

See accompanying independent auditors' report.

Note: Water Revenue bond coverage on Series SDWL - 1, 2, 3, 4 & 5 for 2003, consisted of gross revenues plus interest income in the amount of \$74,161, less operating expenses (excluding depreciation) of \$42,072. As a result, the net revenue available for debt service was \$32,088. Debt service requirements consisted of \$1,177 for 2003. At the end of the year, bond coverage computes to 27.3.

CITY OF MILWAUKEE
**DEBT SERVICE REQUIREMENTS TO MATURITY - SEWERAGE SYSTEM REVENUE
AND DISCLOSURE OF BOND COVERAGE**
(Thousands of Dollars)

Exhibit I-5

Year	Principal	Interest	Total Requirements
2004	\$ 1,035	\$ 2,827	\$ 3,862
2005	2,390	2,762	5,152
2006	2,480	2,667	5,147
2007	2,570	2,575	5,145
2008	2,650	2,487	5,137
2009	2,740	2,386	5,126
2010	2,840	2,274	5,114
2011	2,940	2,151	5,091
2012	3,050	2,015	5,065
2013	3,175	1,865	5,040
2014	3,310	1,703	5,013
2015	3,465	1,539	5,004
2016	3,625	1,361	4,986
2017	3,800	1,170	4,970
2018	3,975	975	4,950
2019	4,160	776	4,936
2020	4,360	564	4,924
2021	4,565	341	4,906
2022	2,375	168	2,543
2023	<u>2,475</u>	<u>54</u>	<u>2,529</u>
	<u>\$ 61,980</u>	<u>\$ 32,660</u>	<u>\$ 94,640</u>

See accompanying independent auditors' report.

Note: Sewerage System Revenue Bonds coverage consisted of gross revenues plus interest income in the amount of \$32,792, less operating expenses (excluding depreciation) of \$14,722. As a result, the net revenue available for debt service was \$18,070. Debt service requirements consisted of \$1,936 (interest only) for 2003. At the end of the year, bond coverage computes to 9.3.

CITY OF MILWAUKEE
SCHEDULE OF ACCOUNT BALANCES
CAPITAL PROJECTS BY PURPOSE
 DECEMBER 31, 2003
 (Thousands of Dollars)

Exhibit I-6

	Bridges	Special Projects	Fire Department	Library	Playgrounds & Recreation
ASSETS					
Assets:					
Cash and cash equivalents	\$2,386	\$ 642	\$ 3,909	\$1,481	\$ -
Receivables (net):					
Taxes	-	15	384	-	473
Accounts	-	-	-	-	-
Special Assessments	-	-	-	-	-
Due from other governmental agencies	636	-	-	-	16
Inventory of materials and supplies	-	-	-	-	-
Total Assets	<u>\$3,022</u>	<u>\$ 657</u>	<u>\$ 4,293</u>	<u>\$1,481</u>	<u>\$ 489</u>
LIABILITIES AND FUND BALANCE					
Liabilities:					
Accounts payable	\$ 275	\$ 15	\$ 70	\$ 170	\$ 76
Due to other funds	-	-	-	-	103
Due to other governmental agencies	827	-	-	-	-
Deferred revenue	115	25	645	-	807
Advances from other funds	-	-	-	-	-
Total Liabilities	<u>\$1,217</u>	<u>\$ 40</u>	<u>\$ 715</u>	<u>\$ 170</u>	<u>\$ 986</u>
Fund Balance:					
Reserved for encumbrances, prepaids, and carryovers	\$1,805	\$ 617	\$ 3,578	\$1,311	\$ (497)
Reserved for inventory	-	-	-	-	-
Unreserved:					
Special assessment (deficit)	-	-	-	-	-
Total Fund Balance	<u>\$1,805</u>	<u>\$ 617</u>	<u>\$ 3,578</u>	<u>\$1,311</u>	<u>\$ (497)</u>
Total Liabilities and Fund Balance	<u>\$3,022</u>	<u>\$ 657</u>	<u>\$ 4,293</u>	<u>\$1,481</u>	<u>\$ 489</u>
<i>See accompanying independent auditors' report.</i>					

Police Department	Public Buildings	Sewers	Urban Renewal	Streets	Tax Incremental Districts	Special Assessments	Total
\$ 6,092	\$ 5,867	\$ 3,501	\$ 1,573	\$ 3,999	\$ -	\$ -	\$ 29,450
80	-	-	89	5,544	595	-	7,180
-	-	1,300	-	1,180	-	-	2,480
-	-	-	-	-	-	13,711	13,711
-	-	182	29	4,400	-	-	5,263
-	-	253	-	-	-	-	253
<u>\$ 6,172</u>	<u>\$ 5,867</u>	<u>\$ 5,236</u>	<u>\$ 1,691</u>	<u>\$ 15,123</u>	<u>\$ 595</u>	<u>\$ 13,711</u>	<u>\$ 58,337</u>
\$ 43	\$ 1,192	\$ 706	\$ 318	\$ 1,006	\$ 870	\$ 20	\$ 4,761
-	-	-	-	-	11,365	-	11,468
-	-	-	-	2,426	2,080	-	5,333
135	-	173	150	11,089	1,001	12,623	26,763
-	-	-	-	-	-	12,536	12,536
<u>\$ 178</u>	<u>\$ 1,192</u>	<u>\$ 879</u>	<u>\$ 468</u>	<u>\$ 14,521</u>	<u>\$ 15,316</u>	<u>\$ 25,179</u>	<u>\$ 60,861</u>
\$ 5,994	\$ 4,675	\$ 4,104	\$ 1,223	\$ 602	\$ (14,721)	\$ -	\$ 8,691
-	-	253	-	-	-	-	253
-	-	-	-	-	-	(11,468)	(11,468)
<u>\$ 5,994</u>	<u>\$ 4,675</u>	<u>\$ 4,357</u>	<u>\$ 1,223</u>	<u>\$ 602</u>	<u>\$ (14,721)</u>	<u>\$ (11,468)</u>	<u>\$ (2,524)</u>
<u>\$ 6,172</u>	<u>\$ 5,867</u>	<u>\$ 5,236</u>	<u>\$ 1,691</u>	<u>\$ 15,123</u>	<u>\$ 595</u>	<u>\$ 13,711</u>	<u>\$ 58,337</u>

CITY OF MILWAUKEE
SCHEDULE OF REVENUES , EXPENDITURES, AND CHANGES IN FUND BALANCE -
CAPITAL PROJECTS BY PURPOSE
 FOR THE YEAR ENDED DECEMBER 31, 2003
(Thousands of Dollars)

Exhibit I-7

	Bridges	Special Projects	Fire Department	Library	Playgrounds & Recreation
Revenues:					
Property taxes	\$ -	\$ 25	\$ 695	\$ 50	\$ 530
Special Assessments	-	-	-	-	-
Intergovernmental	1,200	-	-	-	30
Other	<u>403</u>	<u>-</u>	<u>-</u>	<u>400</u>	<u>-</u>
Total Revenues	<u>\$ 1,603</u>	<u>\$ 25</u>	<u>\$ 695</u>	<u>\$ 450</u>	<u>\$ 560</u>
Expenditures:					
Capital outlay	<u>3,520</u>	<u>52</u>	<u>3,782</u>	<u>2,791</u>	<u>1,635</u>
Excess (deficiency) of Revenues over Expenditures	<u>\$(1,917)</u>	<u>\$ (27)</u>	<u>\$(3,087)</u>	<u>\$(2,341)</u>	<u>\$ (1,075)</u>
Other Financing Sources (Uses):					
General obligation bonds and notes issued	\$ 1,305	\$ -	\$ 3,960	\$ 1,310	\$ 100
Transfers in	-	-	-	-	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources and Uses	<u>\$ 1,305</u>	<u>\$ -</u>	<u>\$ 3,960</u>	<u>\$ 1,310</u>	<u>\$ 100</u>
Net Change in Fund Balance	\$ (612)	\$ (27)	\$ 873	\$(1,031)	\$ (975)
Fund Balance (Deficit) - Beginning	<u>2,417</u>	<u>644</u>	<u>2,705</u>	<u>2,342</u>	<u>478</u>
Fund Balance (Deficit) - Ending	<u>\$ 1,805</u>	<u>\$ 617</u>	<u>\$ 3,578</u>	<u>\$ 1,311</u>	<u>\$ (497)</u>

See accompanying independent auditors' report.

Police Department	Public Buildings	Sewers	Urban Renewal	Streets	Tax Incremental Districts	Special Assessments	Schools Financing	Total
\$ 19	\$ 2,324	\$ -	\$ 150	\$ 6,795	\$ 826	\$ -	\$ -	\$ 11,414
-	-	-	-	-	-	4,482	-	4,482
-	-	(70)	23	3,960	-	-	-	5,143
<u>-</u>	<u>-</u>	<u>815</u>	<u>321</u>	<u>680</u>	<u>2,653</u>	<u>18</u>	<u>-</u>	<u>5,290</u>
\$ 19	\$ 2,324	\$ 745	\$ 494	\$ 11,435	\$ 3,479	\$ 4,500	\$ -	\$ 26,329
<u>1,613</u>	<u>12,560</u>	<u>5,245</u>	<u>2,102</u>	<u>21,519</u>	<u>23,457</u>	<u>4,071</u>	<u>25,482</u>	<u>107,829</u>
\$ (1,594)	\$ (10,236)	\$ (4,500)	\$ (1,608)	\$ (10,084)	\$ (19,978)	\$ 429	\$ (25,482)	\$ (81,500)
\$ 4,410	\$ 6,221	\$ 6,700	\$ 1,500	\$ 7,265	\$ 1,713	\$ 6,080	\$ 25,482	\$ 66,046
-	-	-	-	50	-	-	-	50
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,653)</u>	<u>(6,080)</u>	<u>-</u>	<u>(8,733)</u>
\$ 4,410	\$ 6,221	\$ 6,700	\$ 1,500	\$ 7,315	\$ (940)	\$ -	\$ 25,482	\$ 57,363
\$ 2,816	\$ (4,015)	\$ 2,200	\$ (108)	\$ (2,769)	\$ (20,918)	\$ 429	\$ -	\$ (24,137)
<u>3,178</u>	<u>8,690</u>	<u>2,157</u>	<u>1,331</u>	<u>3,371</u>	<u>6,197</u>	<u>(11,897)</u>	<u>-</u>	<u>21,613</u>
<u>\$ 5,994</u>	<u>\$ 4,675</u>	<u>\$ 4,357</u>	<u>\$ 1,223</u>	<u>\$ 602</u>	<u>\$ (14,721)</u>	<u>\$ (11,468)</u>	<u>\$ -</u>	<u>\$ (2,524)</u>

CITY OF MILWAUKEE
GENERAL FUND
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2003
(Thousands of Dollars)

Exhibit I-8

	Final Budget	Actual	Variance - Favorable (Unfavorable)
Property Taxes:			
General	\$ 90,735	\$ 85,812	\$ (4,923)
Provision for Employees' Retirement	40,937	40,937	-
Total Property Taxes	<u>\$ 131,672</u>	<u>\$ 126,749</u>	<u>\$ (4,923)</u>
Other Taxes:			
Payment in lieu of taxes	\$ 2,470	\$ 2,681	\$ 211
Interest on city tax certificates and other taxes	1,003	1,637	634
Total Other Taxes	<u>\$ 3,473</u>	<u>\$ 4,318</u>	<u>\$ 845</u>
Licenses and Permits:			
Licenses:			
Business and occupational	\$ 3,395	\$ 3,732	\$ 337
Other	25	137	112
Permits:			
Building	4,742	5,727	985
Zoning	166	216	50
Other	726	1,071	345
Total Licenses and Permits	<u>\$ 9,054</u>	<u>\$ 10,883</u>	<u>\$ 1,829</u>
Intergovernmental:			
State Shares Revenues:			
State shared taxes	\$ 249,921	\$ 249,830	\$ (91)
Local street aids	26,700	26,755	55
Payment for municipal services	2,685	2,685	-
Other	4,912	5,295	383
Total Intergovernmental	<u>\$ 284,218</u>	<u>\$ 284,565</u>	<u>\$ 347</u>
Charges for Services:			
General government	\$ 9,236	\$ 10,822	\$ 1,586
Public safety	5,899	8,348	2,449
Public works	29,483	32,777	3,294
Health	576	890	314
Culture and recreation	2,259	2,366	107
Conservation and development	447	511	64
Total Charges for Services	<u>\$ 47,900</u>	<u>\$ 55,714</u>	<u>\$ 7,814</u>
Fines and Forfeits:			
Municipal Court	\$ 4,113	\$ 6,115	\$ 2,002
Other:			
Interest on temporary investments	\$ 2,100	\$ 1,930	\$ (170)
Miscellaneous	6,043	5,884	(159)
Total Other	<u>\$ 8,143</u>	<u>\$ 7,814</u>	<u>\$ (329)</u>
Total	<u>\$ 488,573</u>	<u>\$ 496,158</u>	<u>\$ 7,585</u>

See accompanying independent auditors' report.

CITY OF MILWAUKEE
GENERAL FUND
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2003
(Thousands of Dollars)

Exhibit I-9

				2003 Actual		
	Final Budget	Salaries and Wages	Other Operating Costs	Equipment	Total	Variance - Favorable (Unfavorable)
General Government:						
Zoning Appeals	\$ 233	\$ 184	\$ 45	\$ -	\$ 229	\$ 4
Mayor	916	869	43	4	916	-
Common Council - City Clerk	6,475	5,050	1,128	126	6,304	171
Municipal Court	3,141	1,763	1,230	14	3,007	134
City Attorney	10,327	4,244	5,763	70	10,077	250
Administration	7,368	4,520	2,330	152	7,002	366
Employee Relations	92,970	3,470	89,186	89	92,745	225
Election Commission	1,266	528	603	8	1,139	127
Comptroller	29,666	2,785	26,298	59	29,142	524
City Treasurer	4,107	1,512	2,406	1	3,919	188
Assessor's Office	3,442	2,993	355	-	3,348	94
Public Debt Commission	607	110	290	-	400	207
Employee's Retirement	4,012	219	2,552	-	2,771	1,241
Interest Expense	4,271	-	4,271	-	4,271	-
Non-departmental - unallocated ...	2,064	-	-	-	-	2,064
Total General Government	\$ 170,865	\$ 28,247	\$ 136,500	\$ 523	\$ 165,270	\$ 5,595
Public Safety:						
Fire Department	\$ 71,280	\$ 67,527	\$ 3,378	\$ 245	\$ 71,150	\$ 130
Police Department	155,230	145,709	9,982	1,445	157,136	(1,906)
Neighborhood Services	11,679	7,045	4,278	89	11,412	267
Total Public Safety	\$ 238,189	\$ 220,281	\$ 17,638	\$ 1,779	\$ 239,698	\$ (1,509)
Public Works:						
General Office	\$ 3,714	\$ 2,693	\$ 947	\$ 30	\$ 3,670	\$ 44
Infrastructure	18,939	12,149	6,424	64	18,637	302
Operations	66,051	38,210	24,105	1,713	64,028	2,023
Total Public Works	\$ 88,704	\$ 53,052	\$ 31,476	\$ 1,807	\$ 86,335	\$ 2,369
Health	\$ 11,154	\$ 8,152	\$ 2,489	\$ 36	\$ 10,677	\$ 477
Culture and Recreation:						
Public Library	\$ 17,275	\$ 11,619	\$ 3,102	\$ 2,444	\$ 17,165	\$ 110
Conservation and Development:						
Department of City Development .	\$ 3,891	\$ 2,559	\$ 1,274	\$ -	\$ 3,833	\$ 58
Total	\$ 530,078	\$ 323,910	\$ 192,479	\$ 6,589	\$ 522,978	\$ 7,100

See accompanying independent auditors' report.

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Table 1

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Table 2

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Table 3

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Table 4

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CITY OF MILWAUKEE
PROPERTY TAX LEVIES AND COLLECTIONS
 LAST TEN YEARS
(Thousands of Dollars)

Table 5

For Year	Total Tax Levy (A)	Current Tax Collections	Percent of Levy Collected	Delinquent Tax Collections (B)	Total Tax Collections	Collections as Percent of Current Levy	Total Cumulative Delinquent Taxes (C)	Delinquent Taxes as Percent of Current Levy
1994	\$ 412,580	\$ 401,286	97.263	\$ 13,410	\$ 414,696	100.513	\$ 24,383	5.910
1995	409,238	399,661	97.660	11,021	410,682	100.353	22,939	5.605
1996	385,496	374,793	97.224	11,467	386,260	100.198	22,175	5.752
1997	350,302	340,270	97.136	8,559	348,829	99.580	23,648	6.751
1998	331,556	322,737	97.340	13,084	335,821	101.286	19,383	5.846
1999	339,318	328,558	96.829	8,574	337,132	99.355	21,569	6.357
2000	324,794	311,022	95.760	11,288	322,310	99.236	24,053	7.405
2001	368,371	355,575	96.526	14,805	370,380	100.545	22,043	5.984
2002	382,873	369,125	96.409	13,926	383,051	100.046	21,865	5.711
2003	398,220	383,064	96.194	12,401	395,465	99.308	24,620	6.183
(A)	Includes only City and Milwaukee Public Schools levies, adjusted for special assessments placed on tax roll, as well as County delinquent taxes purchased from the County and included in tax levy collections.							
(B)	Collection of delinquent taxes for prior years.							
(C)	Includes current and prior delinquent taxes.							

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Table 6

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CITY OF MILWAUKEE
PROPERTY TAX RATES AND TAX LEVIES - ALL OVERLAPPING GOVERNMENTS
LAST TEN YEARS

Table 7

Levy for Year (C)					Milwaukee Area District Board of Vocational, Technical and Adult Education			
	City of Milwaukee (A)		Milwaukee School Board (B)					
TAX RATES PER \$1,000 OF ASSESSED								
1994	\$	10.93	26.9	\$	18.59	45.8	\$ 2.09	5.2%
1995		10.47	28.5		15.46	42.2	2.04	5.6
1996		10.09	28.6		14.28	40.5	2.10	6.0
1997		9.81	33.3		9.97	33.9	2.01	6.8
1998		9.47	33.2		9.02	31.6	2.11	7.4
1999		9.20	32.5		9.44	33.4	2.01	7.1
2000		9.12	32.5		8.95	31.9	2.16	7.7
2001		9.86	35.2		8.81	31.5	2.00	7.1
2002		10.22	34.6		9.11	30.8	2.23	7.6
2003		9.51	34.9		8.55	31.4	2.05	7.5
Tax Levies								
1994	\$	142,794		\$	242,620		\$	27,307
1995		144,049			238,537			28,081
1996		138,750			221,958			28,967
1997		143,061			181,336			29,388
1998		139,417			167,446			31,020
1999		145,555			181,736			31,847
2000		141,279			169,562			33,455
2001		169,678			180,874			34,437
2002		176,579			186,228			38,499
2003		184,682			193,636			39,808

- (A) Excludes allocation of debt service requirement on debt incurred for schools, initially included in the City of Milwaukee. (\$.64 in 2003)
- (B) Includes allocation of debt service requirement on debt incurred for schools, initially included in the tax levy of the City of Milwaukee. (\$.64 in 2003)
- (C) Tax rates were constructed considering the provision of the tax incremental district law. The application of these rates to the applicable assessed values will provide a tax yield higher than the levy.

County of Milwaukee		State of Wisconsin		Milwaukee Metropolitan Sewerage District		Total	
VALUE AND PERCENT OF TOTAL							
\$ 5.59	13.8	\$ 0.21	0.5	\$ 3.16	7.8	\$ 40.57	100.0%
5.41	14.7	0.21	0.6	3.07	8.4	36.66	100.0
5.74	16.3	0.21	0.6	2.81	8.0	35.23	100.0
5.72	19.4	0.20	0.7	1.72	5.9	29.43	100.0
5.96	20.9	0.21	0.7	1.77	6.2	28.54	100.0
5.72	20.2	0.20	0.7	1.72	6.1	28.29	100.0
5.82	20.7	0.21	0.8	1.80	6.4	28.06	100.0
5.46	19.5	0.20	0.7	1.68	6.0	28.01	100.0
5.91	20.0	0.22	0.7	1.87	6.3	29.56	100.0
5.20	19.1	0.20	0.7	1.74	6.4	27.25	100.0

(In Thousands)

\$ 72,965	\$ 2,810	\$ 41,234	\$ 529,730
74,326	2,873	42,191	530,057
78,897	2,964	38,654	510,190
83,308	3,008	25,110	465,211
87,779	3,102	26,039	454,803
90,387	3,246	27,152	479,923
90,017	3,340	27,876	465,529
93,946	3,469	28,876	511,280
102,173	3,891	32,287	539,657
100,841	4,060	33,722	556,749

Table 8

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Table 9

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CITY OF MILWAUKEE
COMPUTATION OF LEGAL DEBT MARGIN
 December 31, 2003
 (Thousands of Dollars)

Table 10

Assessed Value		<u>\$ 21,009,517</u>
Equalized Value		<u>\$ 21,730,754</u>
Debt Limit 7 Percent of Equalized Value		\$ 1,521,153
Amount of Debt Applicable to Debt Limit:		
General obligation bonds	\$ 524,258	
General obligation notes	74,017	
Parking bonds and notes	19,635	
Harbor bonds	4,363	
Water Works bonds	37,809	
Water Works revenue bonds	14,548	
Sewer revenue bonds	<u>61,980</u>	
Total Debt		\$ 736,610
Deduct:		
Assets in Debt Service Funds	\$ 35,365	
Water Works revenue bonds (A)	14,548	
Sewer revenue bonds	<u>61,980</u>	
Total Deductions		<u>111,893</u>
Total Amount of Debt Applicable to Debt Limit		<u>624,717</u>
Legal Debt Margin		<u>\$ 896,436</u>

(A) *The Water Revenue Bonds and Sewer Revenue Bonds are payable only from the income and revenues derived from the operations of the water system and sewer system, respectively. These bonds do not constitute an indebtedness of the City within the meaning of any constitutional or statutory debt limitation or provision.*

Note: *State Statutes (67.03 and 119.49) limit direct general obligation borrowing in the amount equivalent to 7% of the equalized valuation of taxable property. The statutes further provide that within the 7% limitation, borrowing for school construction purposes may not exceed 2% of the equalized valuation and borrowing for general city purposes may not exceed 5% of the equalized valuation. The legal debt margin as of December 31, 2003 was \$434,615 for school purposes and \$461,821 for general purposes.*

Table 11

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Table 12

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CITY OF MILWAUKEE
DEMOGRAPHIC STATISTICS
LAST TEN YEARS

Table 13

Year	Population (A)	Per Capita Income (B)	Median Age (C)	School Enrollment (D)	Unemployment Rate (E)
1994	629,296	\$ 14,290	30.3	102,560	6.1%
1995	623,531	12,450	30.3	103,676	4.8
1996	620,609	12,800	30.3	106,261	5.1
1997	612,740	13,219	30.3	107,043	5.2
1998	610,654	13,436	30.3	105,645	4.8
1999	608,150	13,780	30.3	105,374	4.9
2000	605,572	14,170	30.6	103,541	5.9
2001	595,508	14,147	30.6	103,397	7.4
2002	595,958	13,420	30.6	103,464	8.9
2003	595,245	Not available	30.6	103,769	7.9
(A)	The December 31, 1994 through 2003 populations are estimated from the Wisconsin Department of Revenue population used in the distribution of State Shared Taxes.				
(B)	Derived from data contained in Sales and Marketing Management magazine for the appropriate year. For the years 1994, data was revised by Sales and Marketing Management magazine to conform with 1990 census data. Decline for 1995 resulted from modifications to data calculation methodology by the reporting source.				
(C)	Median age of the population is determined only during a census. These figures represent the data collected by the 1990 and 2000 Regular Census.				
(D)	Annual School Census by Board of School Directors. Represents Public Schools only.				
(E)	State of Wisconsin, Department of Workforce Development.				

CITY OF MILWAUKEE
PROPERTY VALUES, CONSTRUCTION AND BANK DEPOSITS
 LAST TEN YEARS
 (Thousands of Dollars)

Table 14

Year	Commercial Construction		Residential Construction		Bank Deposits (A)	Real Property Value		
	Number of Permits	Value	Number of Units	Value		Commercial	Equalized Residential	Nontaxable
1994	68	\$ 43,548	203	\$ 11,796	\$ 11,819,678	\$ 5,268,072	\$ 7,911,127	\$ 3,448,884
1995	71	39,983	390	20,776	13,013,020	5,388,417	8,246,386	3,497,462
1996	77	37,780	183	12,122	16,205,221	5,409,709	8,501,628	3,525,520
1997	86	161,479	345	27,512	17,921,013	5,475,827	8,859,451	3,566,982
1998	79	68,042	589	45,257	20,832,537	5,873,130	9,133,138	3,422,096
1999	95	128,344	203	20,442	15,975,126	6,221,962	9,683,606	3,456,294
2000	88	99,968	352	35,184	17,926,606	6,241,899	10,187,868	3,384,708
2001	99	106,537	542	99,106	23,185,907	7,011,654	11,364,344	3,422,534
2002	89	87,778	697	72,252	20,513,650	7,221,024	12,179,233	3,368,493
2003	96	61,825	825	111,861	22,674,292	7,614,584	13,236,433	3,400,762
(A)	Firstar Bank - Milwaukee was purchased by Firstar Bank - Cincinnati in October, 1999 and is no longer included.							
Sources:	Construction data from City of Milwaukee Department of Neighborhood Services. Bank Deposits are year-end, as reported to U.S. Federal Reserve, Chicago. Equalized Property Value is determined by the State of Wisconsin. Nontaxable Property Value is estimated by the City of Milwaukee, Assessor's Office.							

Table 15

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CITY OF MILWAUKEE
SCHEDULE OF INSURANCE IN FORCE
December 31, 2003
(Thousands of Dollars)

Table 16

Type of Coverage and Name of Company	Policy Number	Policy Period	
		From	- To
Liability Insurance			
Various - RACM Properties	Various	Various	
Property/Marine Insurance			
Local Government Property Insurance Fund	140440	01/01/03 - 01/01/04	
OneBeacon	CWJH40210 & CWJH40215	12/31/03 - 12/31/04	
Hartford Steam Boiler	FBP4919044	01/01/03 - 01/01/04	
Hartford Steam Boiler Company	FBP9178675	08/01/03 - 08/01/04	
American International Specialty Lines	COPS1957536	11/01/00 - 11/01/04	
Bond/Crime Insurance			
Old Republic Surety	MSA1167235, MSA1167236	04/03/03 - 04/16/04	
AIG	002412139 & 002412154	06/13/03 - 06/13/04	
Travelers, Chubb	036FF103014125BCM, 8159-97-88	08/02/03 - 08/02/04	
Travelers	036FF103012142BCM	08/28/03 - 08/28/04	
Coregias Ins. Co	POD0017993	03/12/03 - 03/12/04	
Evanston Insurance Company	MG-816969	02/01/03 - 02/01/04	
Comprehensive General Liability			
American Safety Risk Retention Group/HAI	MPL 02-2416-03	06/15/03 - 06/15/04	
Housing Auth. Risk RetentionGroup (HARRG)	50-0029-2003	09/01/03 - 09/01/04	
Fire, Extended Coverage, Vandalism & Malicious Mischief			
Travelers	28/KTJCMB-199D500-3-2003	09/01/03 - 09/01/04	
American Bankers Ins Co of Florida / FEMA	Various	04/19/03 - 07/07/04	
HAI/American Alternative Ins Corp	59A2CP0000073-01	07/13/03 - 07/13/04	
Automobile			
Travelers	KTN-810-345D8647-PHX-03	01/01/03 - 01/01/04	
HAI	50-0028-03-00-000A	01/01/03 - 01/01/04	
HAI/American Alternative Ins Corp	59A2GL000005-00	09/01/03 - 09/01/04	
Worker's Compensation			
HAI - G. Cham	WC1-J15-994237-023	01/01/03 - 01/01/04	

Table 16 (Continued)

Details of Coverage	Liability Limits	Annual Premium
General Liability	\$ 3,000	\$ 26
Buildings, Personal Property	1,049,306	289
Wharfinger Liability, Protection & Indemnity	11,000	64
Boiler & Machinery	100,000	49
HACM Boiler	25,000	17
Contractors Operations	10,000	63
Public Official Bond - Treasurer	600	2
Public Employee	1,250	21
Fiduciary - Deferred Compensation Board	20,000	68
Fiduciary - Police Relief	1,000	3
RACM - Public Officials/Employees	5,000	16
Water Testing - Errors & Omissions	1,000	4
Lead Inspector's Professional Liability	1,000	26
Lead Based Paint/Commercial Liability	5,600	183
Law Enforcement	1,000	9
Hous. Authority Directors, Officers/Employment	2,050	84
Pesticide	1,000	2
Housing Projects, Property/Fire	306,885	343
Housing Projects, Flood Insurance	11,578	84
Property/Fire/Liability	5,000	27
Housing Authority Fleet	1,000	57
HACM - Excess Fleet	700	18
Commercial Liability - VETS	2,000	30
HACM, RACM	600	135

CITY OF MILWAUKEE
MISCELLANEOUS STATISTICAL DATA
December 31, 2003

Table 17

Date of Incorporation	January 31, 1846
City Charter Adopted	January 31, 1846
Form of Government	Council-Mayor
Area of City	95.8 square miles
Miles of Streets and Alleys	
Streets - Paved	1,418
Streets - Unpaved	14
Alleys	416
Miles of Sewers	
Storm	956
Sanitary	934
Combined	548
Building Permits	
Permits Issued	992
Permit Value	\$ 214,071,732
Fire Protection	
Fire Stations	36
Total Fire Department Employees	1,146
Fire Fighting Force	1,079
Police Protection	
Police Stations	7
Total Police Department Employees (Authorized)	2,951
Employees with Law Enforcement Powers (Authorized)	2,134
Municipal Lock-up Facilities	7
Total Detention Capacity	194
Police Patrol Vehicles	498
Police Patrol Motorcycles	57
Recreation	
Playgrounds, Playfields, Tot Lots, Recreation Centers and Special Facilities Serving Youth/Adult ..	277
Enterprise	
Milwaukee Water Works	
Population Served	831,000
Number of Metered Accounts	160,965
Million Gallons Pumped	46,102
Million Gallons Consumed	39,435
Miles of Mains	1956.25
Hydrants	19,734
Plant Capacity in Million Gallons per Day	
Supply Pumping Stations	760
Major Pumping Stations	687
Repumping Stations	318

CITY OF MILWAUKEE
MISCELLANEOUS STATISTICAL DATA
 December 31, 2003

Table 17 (Continued)

Lights	
Street	67,065
Alley	8,792
Employees: Average Number During 2003	
Total Employees - Civil Service and Exempt	7,631
Exempt Employees - Excluding Summer Youth Employment Training Program and Election Workers	270
Elections (Regularly scheduled - City wide only)	
Pre-Registered Voters - February 2003	341,494
Pre-Registered Voters - April 2003	341,494
Votes Cast in	
Spring Primary Election - February 18, 2003	26,036
Spring General Election - April 1, 2003	52,013
Percentage of Pre-registered Voters Voting in	
2003 Primary Election	7.62%
2003 Spring General Election	15.23%
Population (A)	
1999	608,150
2000	605,572
2001	595,508
2002	595,958
2003	595,245

(A) The 1999-2003 populations are estimated from the Wisconsin Department of Administration population used in the distribution of State Shared Taxes.